COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

COMMUNITY AFFAIRS LEGISLATION COMMITTEE

Consideration of Additional Estimates

THURSDAY, 21 FEBRUARY 2002

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SENATE

COMMUNITY AFFAIRS LEGISLATION COMMITTEE

Thursday, 21 February 2002

Members: Senators Allison, Bishop, Denman, Herron, Knowles and Tchen

Senators in attendance: Senators Bishop, Calvert, Cooney, Denman, Gibbs, Herron, Knowles, Tchen and West

Committee met at 9.10 a.m.

FAMILY AND COMMUNITY SERVICES PORTFOLIO

Consideration resumed from 30 May 2001.

In Attendance

Senator Vanstone, Minister for Family and Community Services

Department of Family and Community Services

Executive
- Mr Mark Sullivan, Secretary
- Mr Wayne Jackson, Deputy Secretary
- Ms Lisa Paul, Deputy Secretary

Executive Directors
- Barry Wight, Corporate Facilities and Services
- Peta Winzar, Economic and Social Participation
- David Kalisch, Economic and Social Participation
- Robyn McKay, Families
- Virginia Mudie, Partnership Framework
- Denise Swift, Community and Locational
- Helen Fleming, Chief Legal Adviser
- Kerry Flanagan, Strategic Framework and Coordination

Assistant Secretaries
- Alex Dolan, Budget Development
- Gary Dunn, Centrelink Relationships Branch
- Jeff Popple, Family Assistance Office Unit
- Dawn Casey, Child Care Services Branch
- Linda Powell, Community Branch
- Joan Corbett, Disability Service Reforms
- Keith Henry, Family and Children
- Fiona Mallise, Family Policy
- Jeremy Nott, Family Relationships Branch
- Tim Youngberry, Financial Strategies (Acting)
- Alison Smith, Housing Support
- Tony Mee, Information Strategies (Acting)
- Roger Barson, International
- Steve Jennaway, Management Support
- Andrew Herscovitch, Ministerial and Communications

Jackie Wilson, Office of Disability
Frances Davies, Parenting and Employment Programs
Evan Mann, Parenting and Employment Programs
Cate McKenzie, Participation Policy Branch
Bruce Smith, Participation Policy Branch
Jenny Bourne, Partnership and Service Delivery Branch
Judy Raymond, Risk, Compliance and Simplification Branch
Gwenda Prince, Seniors and Means Test Branch
Kerry Elizabeth, Strategic Management Branch
Serena Wilson, Strategic Policy and Analysis
David Hazlehurst, Strategic Policy and Analysis
Tricia Rushton, Youth and Students
Matt Davies, Youth Bureau
Glen Halloran, National Manager, National Disability Services
Barry Smith, Indigenous Policy Unit

Centrelink

Sue Vardon, Chief Executive Officer
Jane Treadwell, Chief Information Officer
Graham Bashford, Deputy Chief Executive Officer, Business
Paul Hickey, Deputy Chief Executive Officer, Business Capability
Pat Turner, Deputy Chief Executive Officer, Customer Service
John Wadeson, General Manager, Major Projects
Carolyn Hogg, General Manager, Service Integration Shop
Marcia Williams, National Manager, AWT Implementation
Peter Fisher, National Manager, Disability and Carers
Pat Fegan, National Manager, Employment Operations
Michelle Gunasekera, National Manager, Employment Services
Mike Goldstein, Chief Auditor
Trisha Moran, National Manager, Debt Services
Hank Jongen, National Manager, Communication and Marketing
Ken Thornton , Group Account Manager, Communication and Marketing
Grant Tidswell, National Manager, Families
Robin Salvage, National Manager, Rural and Housing
Allan Gaukroger, Chief Finance Officer
Phil Richardson, National Manager, Detection and Review
Christine Hagan, General Manager, Centrelink Call
Dr Helen McKenna, National Manager, Risk and Business Assurance
Dr Margaret Browne, National Manager, Retirement
Denis Bayada, National Manager, IT Infrastructure Services
Luke Woolmer, National Manager, Business and Information Protection
Colin Parker, National Manager, Property and Services
Peter Rock, National Manager, Multicultural Services
Robert Williams, National Program Manager, Employment Services
Eric Bennett, National Program Manager, Employment Services
Dean Church, Business Manager, Youth and Students

Rachelle Mudie, Acting Business Manager, Youth and Students
Karel Havlat, National Manager, Resource Management
Sally Babbage, National Manager, Child Care Benefit Payment Team
Darryl Alexander, National Manager, Parenting Assistance
Carmel McGregor, National Manager, People Management
Rod Gibson, National Manager, Business Alliances and Contracts
Neil Goodwin, Manager, e-Procurement – Business Alliances and Contracts

CHAIR—I declare open this public hearing of the Senate Community Affairs Legislation Committee considering the additional estimates for the portfolio of Family and Community Services. Before commencing with Centrelink, senators have advised that they do not require officers from the Child Support Agency, Commonwealth Rehabilitation Service and Social Security Appeals Tribunal. Are there any other areas of the portfolio where senators do not require the officers?

Senator MARK BISHOP—I do not have any questions in 1.3—Child Support. I do not know whether you have covered that or not.

CHAIR—Yes, I have covered that. Thank you, Senator. I welcome the Minister for Family and Community Services, Senator Amanda Vanstone, and the departmental secretary, for the first time, Mr Mark Sullivan, and of course officers of the Department of Family and Community Services and Centrelink. I would also like to place on record our thanks and gratitude to Dr Rosalky for all the work that he has done in conjunction with this committee. Thank you all for your continuing punctuality in response to our questions that are placed on notice, because sometimes it can be exceedingly difficult for senators to be able to follow up issues if questions are not answered expeditiously.

I draw to witnesses' attention the resolutions agreed to by the Senate on 25 February 1988, 'Procedures to be observed by Senate committees for the protection of witnesses', and in particular to resolution 1(10) which states in part:

> Where a witness objects to answering any question put the witness on any ground including the ground that the question is not relevant or that the answer may incriminate the witness, the witness shall be invited to state the ground upon which objection to answering the question is taken.

I also remind officers of the department of the Commonwealth that they shall not be asked to give opinions on matters of policy and shall be given reasonable opportunity to refer questions asked of the officer to superior officers or a minister. Witnesses are further reminded that the giving of evidence is protected by parliamentary privilege. However, the giving of false or misleading evidence may constitute a contempt of the Senate. Finally, could I ask witnesses to clearly identify themselves when first called to answer a question to assist the Hansard reporters and to ensure that all mobile phones are switched off or down. You can have them jiggling if you like, but could you please turn the volume off. Minister, do you wish to make an opening statement?

Senator Vanstone—I would like to join you, Madam Chair, in your thanks to the public servants for the work that they do in what is for delivery a difficult portfolio. It is easy for us to be in parliament, to make policy, to be in the committees and to be critical or otherwise, but we are not at the front desk dealing with people who are necessarily in some sort of need because they have come to Centrelink, who do a great job.

I welcome Mark Sullivan to his first meeting here and I welcome back Sue Vardon. I say to Senators Denman, Gibbs, Bishop, West and Tchen and you: I am sorry I was late. Senator West, it is not the afternoon, but I nonetheless welcome your welcome to me of good

afternoon. And yes, if we want to go to 11.10 tonight we can do so. I would hope we could knock it off a bit before that. I say to Mark Bishop: I am sorry I have not congratulated you on your elevation, but you have been absent for a while. I will hear more about that later. Welcome and I look forward to dealing with you in a friendly, cordial and efficient manner.

CHAIR—Thank you, Minister. The committee will be working from the Portfolio Additional Estimates Statements and I propose that we commence with issues relating to Centrelink on page 79, followed by general questions on the department overview, pages 13 to 23, and then the outcomes on pages 25 to 46. Post-budget measures listed in section 3 can be considered under the relevant outcome. I invite honourable senators to ask questions.

[9.15 a.m.]

Centrelink

Senator WEST—What organisations does Centrelink have its car leases through?

Ms Vardon—To the very best of my knowledge, all the leases are through one agency, but I will just double check.

Mr Hickey—As far as I am aware, our car leasing would be through Dasfleet.

Senator WEST—When you have cars at offices, what is the requirement for the storage of those overnight? If they do not go home, do they stay at the office? What are the requirements for the storage of those cars or the garaging of those cars overnight?

Mr Hickey—Generally, the principle would be if there is secure garaging available they can be garaged at the office. If there are arrangements for home garaging by officers of Centrelink, there are guidelines that cover the arrangements.

Senator WEST—What if there is a car park with designated Centrelink car sites, but there are no garaging secure facilities like a lock-up?

Mr Hickey—Generally speaking, I would have expected the cars to have been home-garaged by an appointed officer.

Senator WEST—How does that impact upon the FBT of individuals who may be garaging them at home?

Mr Hickey—I would have to get advice on particular cases but, generally speaking, if a vehicle is approved for limited private use, including travel to and from work—

Senator WEST—I am not talking about one that is approved for limited private use. I am talking about the office vehicle that everybody in the office uses and nobody has responsibility for any private use.

Mr Hickey—So it is garaged at the office?

Senator WEST—Yes. But have all of your officers got garage facilities?

Mr Hickey—Not all of them.

Senator WEST—What happens to the cars where you do not have garage facilities?

Mr Hickey—If they are home-garaged and if it is for private benefit, I assume there is an imputed FBT element.

Ms Vardon—Sometimes we cannot get safe parking.

Senator WEST—I am thinking of a particular office. I know where the office is and I know where the parking is—it is in Bathurst—and it is the car park that we were supposed to use when I worked for the federal member, and it ain't secure.

Mr Hickey—The FBT assessment processes that we apply are the processes that we are required to apply by the Taxation Office. Mr Gaukroger can talk about the rules.

Mr Gaukroger—Fringe benefits tax is calculated on the private portion of vehicle use. If it is used for business purposes, then the FBT component reduces. Generally, if a car is being taken to and from work, it is regarded as private expenditure and therefore subject to FBT.

Senator WEST—So you are going to require some of your officers, in offices such as Bathurst where there is no secure parking, to be affected by FBT because somebody has to take the car home at night so it is not left unsecured and does not lose all of its wheels like it did a few weeks ago.

Mr Gaukroger—There is a reportable FBT. If there are vehicles that are subject to FBT, it gets reported on the group certificate as reportable FBT. The staff member themselves do not get charged FBT. However, it gets shown on their group certificate and can affect other benefits that they might be entitled to.

Senator WEST—That is right.

Mr Hickey—But, if staff were not willing to take the car home, we would expect the local managers to make alternative arrangements with staff who were willing to take the vehicle home. If there were any notion of compulsion implied in your question, that would be something we would certainly want to have a look at.

Senator WEST—There is no alternative if you do not want to leave it in that car park.

Senator Vanstone—I think, Senator, I can help with the answer—

Senator WEST—It is a bit of a problem. I do not think it only applies to Centrelink. I think it might apply to a lot of other organisations.

Senator Vanstone—It may well, but I think the answer that has been given is that these people at the table would not expect anyone to take the car home under compulsion. If they did not want to, the manager would make alternative arrangements. If the manager took the car home, then the answer that has been given would apply there.

Senator WEST—What would be the alternative arrangements?

Mr Hickey—There are a number of people in the office, Senator. I would expect the manager to canvass all of the staff in the office to see whether anyone was willing to do it. If there were not, then we would have to look at what alternative arrangements could be entered into with some local provider—for example, garaging services. I do not know, but we will certainly have a look at the particular case that you are referring to.

Senator WEST—It is not necessarily a particular case. I think it is an issue—

Mr Hickey—I am happy to have a look at the issue with the office. If it is the Bathurst office, we will talk to—

Senator WEST—I suspect there are a lot of offices in rural areas where it would apply because I know where your offices are in lots of those rural communities. There is nothing that looks even remotely like secure parking because they are single-storey buildings, with sealed car parking out the back.

Mr Hickey—In my experience, it has never been an issue that has been raised at my level, but we would be happy to have a look at that.

Senator WEST—It is probably not getting up to your level. It is probably sort of paddling around the offices and not moving beyond there.

Ms Vardon—We have built secure parking around our rural offices in lots of cases. Wangaratta or Ballarat or one of those offices comes to mind, where we have actually enclosed a large space. So we do have the capacity to do that if it is worth while for us to secure a place. If it is a public place, it is a bit more difficult.

Senator Vanstone—The point that has been made is that no-one should be under compulsion to do it. That is not to say that it has not occasionally happened where someone has felt that way and, if they do do it, they do not end up personally paying the FBT.

Senator WEST—No, but they end up being liable and having it registered on their group certificate. It may affect some of their benefits and bonuses and some things like Child Support Agency payments and some of those other things. It may not necessarily affect their taxable income, but it can affect other things.

Senator Vanstone—But the simple answer is that no-one is required to do that.

Senator WEST—You said that Dasfleet is the provider of your car leases. What mechanisms do you have in place to ensure that petrol card checks are done, or how do you ensure that the petrol cards are properly used and monitored?

Senator Vanstone—Presumably they have to put odometer readings in, like you and I do.

Senator WEST—What about the vehicles whose leases have ceased? Do you have any monitoring of the date of the cancellation of those petrol cards?

Mr Hickey—I imagine that we do, Senator, but we will get the officers involved to come and talk specifically about that.

Mr Gibson—I could not really hear some of the questions at the back of the room. Would you mind repeating them?

Senator WEST—You have a Dasfleet vehicle for a certain length of time, and when the lease expires it gets returned to Dasfleet or you have the handover. What monitoring do you do of the petrol cards of those vehicles?

Mr Gibson—Part of the return arrangement with Dasfleet is a fairly extensive check list, where they go through and look for things like unfair wear and tear et cetera. Part of that check list is the recovery of any outstanding cards.

Senator WEST—Yes. If I am familiar with it—because we have our leases through Dasfleet—you sign a piece of paper to say that you have returned those cars. What monitoring do you do, after that car has left your hands, to ensure that those cards have been cancelled?

Mr Gibson—They are not our cards; they are Dasfleet's cars.

Senator WEST—No, but you get the bill.

Mr Gibson—For argument's sake, you are asking what would happen if, say, we were to continue to get a bill for a card which related to a car that had been returned. There is certainly a monitoring exercise that goes on in every area in terms of what their bills are and what they are paying. Apart from the fact that the cards are specific for a vehicle—

Senator WEST—That is right.

Mr Gibson—the possibility of a card being used in respect of a vehicle that it is not meant to be used for, or being used after a lease has been returned because of the leasing arrangements associated with Dasfleet, is pretty remote.

Senator WEST—No, it is not.

Mr Gibson—But in the event that that should occur then the management of each of the officers or teams who pay those bills are very conscious of checking those bills to make sure they still relate to vehicles that they still are leasing. There is quite extensive checking of any incoming invoice in that regard.

Senator WEST—How sure are you that that is happening? I am not implying that there is any wrongdoing or illegalities on the part of Centrelink, but I am wondering just how closely you are monitoring that, how closely you are looking at those bills that you are getting from petrol cards at the changeover time.

CHAIR—Senator, do you know of some instance where this has not happened? We might be able to cut this down if you actually get—

Senator WEST—I do not know of a Centrelink incidence.

CHAIR—Could I finish. Is there an incident of which you are aware that we could actually focus on instead of drawing teeth the way we are at the moment?

Senator WEST—I cannot name a specific Centrelink incident, but I am aware—because it has happened to me—of DOFA still receiving bills for petrol on a vehicle whose lease had ceased and whose petrol cards had been legally put in or had been completed. That was going on four months after the car had ceased to be leased to DOFA. I understand it was a Dasfleet vehicle. Are you monitoring your rural ones more closely? It appears that those cards are not being cancelled. I know of a bill for petrol over 15 days for a Berlina sedan, 6-cylinder, where there was over $1,500 worth of fuel charged to the three cards, including nearly 1,000 litres of diesel. I want to know how closely you are monitoring to see that is not happening, to see that even one or two days are not slipping through where you are being pinged.

Mr Hickey—We rely, at two levels, on the standard procedures that apply. There are officers in each of our areas all around the country who are responsible for signing off any invoices that are received so that the goods have been received appropriately and the account is able to be certified for payment. Over the top of that, we would rely on our internal audit mechanisms which, from time to time, conduct the sort of compliance reviews about office procedures that are being carried out all around the network. There are two levels of assurance that we fundamentally rely on. We do not have standard central monitoring mechanisms for all of the sorts of invoices that we receive throughout the agency.

Senator WEST—So you are relying on individual regional offices?

Mr Hickey—Yes.

Senator WEST—When is the next audit check to be done?

Mr Hickey—The audit checks are done as an ongoing matter. As a matter of routine, our internal audit teams visit offices around the country on a basis that samples each area and looks at the office procedures and the extent to which they are being followed.

Senator WEST—So you cannot tell me whether you have received any bills for fuel that has been charged to vehicles whose leases have expired?

Mr Hickey—I would have to go back and ask specifically and get back to you on notice.

Senator WEST—I would appreciate your doing that. The bill that I saw on a four-month-old expired lease vehicle was $1,500 for 15 days. I nearly freaked when it showed up on a management report; I went feral. They said, 'We understand this is happening.' I think it is happening in rural areas because they are putting the vehicles on transporters.

Mr Hickey—We would be expecting a lot of our people to go feral as well if they are seeing those sorts of bills come through. But we will check.

Senator WEST—But it is very easy to miss because you have got a whole series of fuel stuff you are ticking off. I would appreciate any information you can provide and advise you to watch it, because it looked a nice little money earner for somebody, and not for the public sector.

Senator MARK BISHOP—I welcome Ms Vardon and Mr Sullivan and the remainder of the officers. I want to ask some preliminary questions on some basic finance matters before we go to the particular programs and issues. Can you give me the breakdown in funding from Centrelink's various customers—FACS, DVA and the Department of Employment and Workplace Relations—in both gross dollar terms and percentage terms, by way of income?

Mr Hickey—If you turn to page 81 of the additional estimates statements and track across pages 80 and 81, that shows our revenue from 2000-01 through to 2004-05 by the major client agencies. You will notice there is a heading 'Revenue from other sources', which is a collection of a large number of smaller contracts and arrangements we have with agencies other than the main ones listed.

Senator MARK BISHOP—Do those tables contain the forward estimates as well?

Mr Hickey—Yes, they do.

Senator MARK BISHOP—Can you provide me with an update on the progress of negotiations on the new funding model? It was raised at the last round of estimates by Senator Evans, so that is the matter I am referring to. Can you outline to the committee the progress, if any, in the negotiations since that stage?

Mr Hickey—Yes, to a point, because the final decisions on the funding formula will be decisions made by the government in the budget context, so obviously I cannot get into the details of it, but there have been continuing discussions between us, the Department of Family and Community Services, the Department of Employment and Workplace Relations, and the Department of Education, Science and Training. We have in large measure come to a common view about what the broad framework and principles for the operation of the formula would be, and they are now being taken forward, as I mentioned, as part of the budget processes.

Senator MARK BISHOP—Can you put on the record what that broad framework and agreement on principles is?

Mr Hickey—Not at this stage, because it is subject to the government's considerations through the budget.

Senator MARK BISHOP—So there is unanimity of view as to the appropriate model by all the departments involved in this?

Mr Hickey—Yes, I think it is true to say that at the level of principle there is a good deal of agreement about how we could proceed, subject to the government's considerations. There is still a lot of detail, given the complexity and the range of work that we do, that needs to be followed through with.

Senator MARK BISHOP—Who makes that decision? Is that a decision of cabinet or a subcommittee of cabinet?

Mr Hickey—The decision is made by the government through the budget processes, so it will be considered in the first instance through the Expenditure Review Committee processes.

Senator MARK BISHOP—And those processes are currently under way?

Senator Vanstone—The whole budget process started back in December.

Senator MARK BISHOP—On this issue, has the ERC come to a final view on the model for Centrelink?

Senator Vanstone—I am caught between wanting to offer you the blatant, direct answer and the appropriate answer, which is that we do not discuss what happens at ERC; so I will give you the latter one.

Senator Mark Bishop—I am not asking you to discuss it, I am asking you whether you have—

Senator Vanstone—Even now we would generally not discuss it until the budget is complete. It has been generally the rule. Someone with a moderate intellect would rapidly be able to deduce what was at what stage and that might not necessarily be helpful. But in any event I can indicate that we are quite happy to offer you, in your new capacity, briefings both from FACS and from Centrelink. You may want to ask more general questions today such as this because you want them on the record. I am not sure what involvement you had in this area before and you might want to understand more before you proceed with more detailed questions, but we are happy to do that over a couple of hours if you would like. That may save you asking some questions today that you might really want to go into greater depth on but do not get the opportunity because of sharing around with your colleagues—just so long as you know the offer is there.

Senator MARK BISHOP—Thank you. I was aware the issue was being discussed some months ago.

Senator Vanstone—I do not mean just on that issue. I mean generally on the portfolio areas.

Senator MARK BISHOP—I understand. Mr Sullivan, you are familiar with the terms of reference of the Productivity Commission review of the Job Network?

Mr Sullivan—I am, Senator.

Senator MARK BISHOP—Can you tell me what the department's understanding is of the terms of reference, which read:

… includes a possible scope for the model to apply in full or in part to other types of Commonwealth service delivery.

Mr Sullivan—I would refer to the fact that FACS as well as Centrelink as an entity has made submissions to the Productivity Commission which cover all of the terms of reference including that one, as have a number of other government and non-government agencies. When the Productivity Commission releases those submissions, you will be able to see in full our view on each of the terms of reference.

Senator MARK BISHOP—When does the Productivity Commission have to come down with its final report?

Mr Sullivan—I will get that answer for you in a short time. Evan Mann from the department can help here.

Mr Mann—We expect the interim report from the Productivity Commission probably in March. There will be a round of hearings. I do not know whether there is a definite time for when the final report comes out. It is certainly several months after the interim report.

Senator MARK BISHOP—Would the department be able to provide the committee with a copy of its submission to the Productivity Commission?

Mr Mann—Certainly. It is a public document.

Senator MARK BISHOP—Is it available on your Net?

Mr Mann—It is, as well as the Productivity Commission's web site.

Senator MARK BISHOP—Have all of the submissions to that inquiry been released?

Mr Mann—I really could not answer that. I know all the major players' departments have put in public submissions. I do not know whether there are any submissions the commission has received which are not public.

Senator MARK BISHOP—As well as putting in a submission, which you have put on the Net and is public, have you put in a confidential submission?

Mr Mann—No, we have not.

Senator MARK BISHOP—Has Centrelink, Ms Vardon?

Ms Vardon—Centrelink's submission is on the Net.

Senator MARK BISHOP—Just a yes or no, Mr Mann: does your submission address the notion of the extension of the competitive job market principles to services provided by agencies?

Mr Mann—Only in a very general way. That part of our submission which addressed that particular term of reference just discussed the experience that FACS has had, particularly in terms of the arrangements with Centrelink over the past few years but also more generally about how FACS obtains services. You will find several pages just discussing our general experience and certain conclusions drawn.

Senator MARK BISHOP—Is it the same with Centrelink, Ms Vardon?

Ms Vardon—Yes.

Senator MARK BISHOP—Just a general discussion of your experience and principles drawn on that issue.

Ms Vardon—Yes. We only referred to Centrelink, and then we talked about the Job Network in relation to any ideas that people might have that we needed to have a different model. We reaffirmed our position that the present model was quite satisfactory.

Mr Hickey—We also outlined the principles against which any consideration of that kind should be considered, and they are in the submission.

Senator MARK BISHOP—Understood. As they are on the Net, we can download them and read them at our leisure.

Senator Vanstone—Such as you regard that kind of reading as leisure.

Senator MARK BISHOP—Someone is going to have to read it at their leisure. What about privacy breaches? In the annual report of the department, there were 11 cases of referral from the Privacy Commission. Ten of those 11 cases were finalised; there is one outstanding. I am advised that it is customary in this committee for these matters to be raised and a discussion entered into. Ms Vardon, can you indicate the nature and progress of the outstanding case referred to in the annual report? Can you bring us up to date?

Ms Vardon—I am sure we can. When you use the word 'department', I instantly think you are talking about FACS.

Senator MARK BISHOP—Sorry.

Ms Vardon—Centrelink is, in fact, an agency not a department, so I just tuned in to the fact that you were referring to us. We might have to take that question on notice. I am sorry about that, Senator.

Senator MARK BISHOP—Why is that? There would be someone here who is familiar with the case, wouldn't there?

Ms Vardon—The person who is in charge of privacy is somewhere else. He can be called; I am very happy to call him back. If you would not mind out deferring that question for one hour, I will have him here to answer it for you.

Senator MARK BISHOP—That is fine. So the person who has all the responsibility for privacy matters is not available at the moment.

Ms Vardon—He will be here in one hour. He is on stand-by. I spoke to him last night.

Senator MARK BISHOP—Fine. As part of its welfare reform package Australians Working Together, the government announced a number of new staff would be appointed within Centrelink, and those staff, as I am advised, are to be called personal advisers. We understand that those advisers will be appointed at the ASO4 level in Centrelink offices. Can you advise whether existing social worker staff will continue to provide a separate function within offices or will they be absorbed as personal advisers?

Ms Vardon—The additional resources that came to us actually included additional specialist staff as well as personal advisers. So not only do we have the existing quantum of social workers but in fact we are going to have some more social workers. Social workers will have quite a separate function under Australians Working Together. It fits in very carefully, but there will be no replacement of social workers by personal advisers. Personal advisers' positions are an enhancement to the present customer service officers' work. There is no conflict between the two; in fact, they work in harmony with each other.

Senator MARK BISHOP—Are the personal advisers' positions additional staffing levels, or are some of the positions going to be upgraded with increased workloads or different workloads?

Ms Vardon—No. They are additional positions. Many of our staff, I am sure, will be applying for those jobs. They are additional to the present establishment.

Senator MARK BISHOP—How many positions are we talking about?

Ms Vardon—Marcia Williams is about to tell you that, Senator. She is in charge of the whole Australians Working Together package inside Centrelink.

Ms Williams—There are 855 additional personal advisers over the next couple of years.

Senator MARK BISHOP—How many will be on the books at the end of this financial year?

Ms Williams—There will be none at the end of this financial year. They all start from next financial year. So in the first year of them starting there will be 412.

Senator MARK BISHOP—Then, over the next three years, there will be up to 800?

Ms Williams—Up to the 855, yes.

Senator MARK BISHOP—Is my understanding correct that they are going to be appointed at the ASO4 level, or is there a range?

Ms Williams—The new recruitment is at Centrelink 2/APS4 level—the same as for our current customer service officers.

Senator MARK BISHOP—How are they different from current customer service officers?

Ms Williams—The focus is very much about participation assessment. For most of our CSOs at the moment, the focus is very much about income support assessment and employment services referrals. This is a new role for Centrelink that has come out of the Australians Working Together package, and it focuses on the participation assessment.

Senator MARK BISHOP—Thank you. I want to now turn to the budget estimates and the MYEFO 2001-02 statements. Who would the best to take those questions—Mr Dolan?

Mr Dolan—I would be the initial source of contact on this question.

Senator MARK BISHOP—Mr Dolan, let us compare the budget figures and the MYEFO figures for a number of select appropriations. In particular, I identify the family tax benefit, the child-care benefit, the Newstart allowance, the disability support pension and the age pension, for both the 2001 budget forward estimates provided by FACS during the budget estimates in May of this year and the MYEFO forward estimates provided by FACS to the ALP through the caretaker convention following the release of MYEFO in October 2001. I have a table derived from those two sets of documents. I will use by way of example the family tax benefit and the Newstart allowance. The family tax benefit shows in the years 2002, 2003, 2004 and 2005 a blow-out in appropriations of $1.6 billion—$256 million in 2002, $445 million in 2003, $463 million in 2004 and $466 million in 2005, giving a total of $1.6 billion—

Senator Vanstone—Would you have a copy of that? It just might help the officer if he has in front of him what you have got.

Senator MARK BISHOP—Yes. It is a composite document that we have put together, so that is a useful idea.

Senator Vanstone—Is what is being photostatted what you were given by the government or are those figures reworked in some way?

Senator MARK BISHOP—It is a document that extracts the tables from the two documents provided to us, and does it in a comparative sense, year by year and by a particular instrument.

Senator Vanstone—While it is being photostatted, we could move on, and the officer will have a chance to have a look at it and then we come back to that and give you the answers.

Senator MARK BISHOP—The document shows—and you will just have to take it as read for the moment—that there have been adjustments across the forward estimates, between the budget and MYEFO for those five particular allowances, of in the order of $5 billion. Are you aware of that, Mr Dolan?

Mr Dolan—There are periodical adjustments to our forward estimates for changes in economic parameters and changes in customer behaviour; that is something that regularly happens. I can talk in general terms about some of the changes. Particularly the family tax benefit changes at those estimates reflect a variation in that there are more families claiming family tax benefit through Centrelink than through the tax system than previously assumed, and therefore there has been an increase in the FACS family tax benefits estimates.

Senator Vanstone—And you would expect a reduction, therefore, of the equivalent in the Taxation Office?

Mr Dolan—Yes, Minister. There has been a corresponding reduction on the tax office side for FTB, and so the impact on the budget is the net effect.

Senator MARK BISHOP—Could you stop there, Mr Dolan, because you have mentioned two things: you have identified changes in parameters and a switch from claimants from the agency through the tax system. My understanding is that we are talking about the difference between the May budget—brought down in May, obviously—and the MYEFO figures released some time in October. So it is May, June, July, August, September, October—six months maximum. The MYEFO figures were presumably prepared some time towards the end of September. So we are talking about a period of five or six months. In terms of the family tax benefit, the change in those two sets of figures is dramatic: it is $1.6 billion. One question arises: in the period between the May budget and September-October when you did MYEFO there was no awareness that there was going to be this change in the agency receiving the funds?

Mr Dolan—In respect of the family tax benefit and the revisions over that period, a lot of the final adjustments do not occur until after May in terms of the tax side of it. The full picture was not emerging until later in the year. This is a new payment and we were waiting to see how the full trends emerged. Back at budget, a certain picture was apparent, and as time went by a further picture emerged and that resulted in the change in the estimates.

Senator MARK BISHOP—So the picture that emerged post budget was radically different from the picture that had emerged pre budget?

Mr Dolan—In terms of the size of the payment—the percentage of the family tax benefit payment—it is a significant change, but this is a payment which, unlike other payments, has people claiming through the tax side as well as the Centrelink side.

Senator MARK BISHOP—But your department knew that was going to occur. That was not a surprise.

Mr Sullivan—In respect of the family tax benefit, you saw government give customers a choice. They could use the tax system or they could use Centrelink. The estimates at budget time were as to how that choice would play out. The estimates at budget time certainly presumed that more people would use the tax system than did. What the MYEFO estimate shows you is that there is no change in the overall budget picture in respect of the family tax benefit. The number of people using Centrelink—and therefore reflected in our appropriations—goes up and the number of people using the tax system goes down. So about $260 million in 2001-02 reflects that change driven by the government's decision to give people a choice as to whether they would like to use Centrelink or Tax.

As Mr Dolan said, it is in the reconciliation that comes through in May that you would discover how many people use Centrelink and how many people use Tax. Importantly, in the overall budget terms, this is a movement up in our appropriation, but it is a corresponding movement down in costs to the tax system through the Australian Taxation Office.

Senator MARK BISHOP—I do understand that point you make, Mr Sullivan. It was my understanding that the option for consumers to choose between a Centrelink payment or doing it through the tax system was well understood in the community. I thought the department had market tested that or done some survey work. That is my advice. Is that not correct?

Mr Henry—The answer is yes. There was a survey. Since the time of tax reform, right back in the times of the original tax reform package, there have been estimates of what choice customers would make, given a choice between the two systems. Since that time, we have been continuing to look at that. The original assumptions made at the time of tax reform, about the degree of choice that people would make to work through the tax system, has been reduced. The amount—the fortnightly payments—being paid through Centrelink has gone up.

We did a very detailed survey engaging a private sector consultant. It was actually helpful to us because it suggested that the proportion of people choosing tax delivery would be around 20 per cent. It was those sorts of figures that we were working on.

Senator MARK BISHOP—Twenty per cent on what sort of quantum?

Mr Henry—That is on a quantum of over 2 million. That is the number of families, talking in broad terms. It has actually transpired over time, remembering that there is always a lagged effect because people using the tax system only claim after July 2001 for payments they could have had for the previous taxation year. So there is an effect there which is an adjustment between the two system in terms of the total effect. It became very evident after July because people were putting in tax claims. Also, some people who put in tax claims were then registering for Centrelink payment in the second year and the number of claimants is still rising. Finally, there were some payments that we expected Centrelink to make, particularly of the top-ups that are allowed and they are a very substantial component of this new system, to customers. Quite often Centrelink has been making those payments. So we have a number of effects there which I think were reasonable. We had done a detailed survey and looked at what customers said when surveyed and the choice they would make, but the choice that they have actually made appears to be more for Centrelink fortnightly payments and less for tax delivery than anticipated.

Senator MARK BISHOP—So you did a survey, Mr Henry, and the consultants advise you that there could be an error rate of up to 20 per cent. Is that the figure you used?

Mr Henry—No, it was not an error rate; it was quite a statistically valid survey of several thousand customers, as I recall—and I am talking in broad figures here. The evidence was, when customers who are in the relevant categories—families with children—were surveyed as to what choice they would exercise within the system, that 20 per cent of them would choose tax delivery and 80 per cent of them would basically choose Centrelink payments.

Senator MARK BISHOP—What was the final outcome?

Mr Henry—We are still working it out, but less than 20 per cent. In broad terms it might look more like a 90:10 or something of that order split between the two systems rather than an 80:20 split.

Senator MARK BISHOP—Ms Vardon, could you add anything to that because you have had more increase than planned?

Ms Vardon—No, we are quite pleased that the people of Australia chose to come to us.

Senator Vanstone—They are voting with their feet.

Senator MARK BISHOP—That is good. But the consultant's report suggested that the split was going to be 80 per cent to Centrelink and 20 per cent to ATO. Can you tell us what has been the actual outcome?

Ms Vardon—I think Mr Henry has actually given you the figure that we would agree with.

Senator MARK BISHOP—Do you confirm that you have 90 per cent?

Ms Vardon—Around that, yes.

Senator MARK BISHOP—How around about that?

Senator Vanstone—To be fair, Senator Bishop—

Senator MARK BISHOP—Mr Henry did not give a firm figure.

Senator Vanstone—I understand, around about that. If you want an exact figure, we will go away and work it out. Let us try and not have estimates where it is a test of whether somebody has worked it out to the third decimal point and remembers some minutia of a figure. The detail of what you want is available, but the general point is around 90 per cent. If you want us to work out the exact percentage, we will and come back to you. I think you are whistling *Dixie* if you think Ms Vardon or anyone else is going to know the exact percentage at this point.

Senator MARK BISHOP—I would be surprised if they didn't.

Senator Vanstone—How many decimal points do you want to go to?

Senator MARK BISHOP—It is not how many decimal points.

Senator Vanstone—It is a question of degree.

Mr Henry—The other issue is that, although most Australians have now lodged personal tax claims—and most Australians do by the end of October—there are many of our customers who lodge through tax agents and the whole of the picture is not yet completely clear.

Senator MARK BISHOP—So the picture is not yet clear?

Mr Henry—Indeed, people can lodge arrears and other claims up until the end of June this year.

Senator MARK BISHOP—Does either the department or Ms Vardon's agency monitor this on a monthly or quarterly basis?

Mr Henry—Can I answer that. We monitor the number of payments we make on a very close basis and we consult with the Taxation Office regularly through the Family Assistance Office—they are one of our coproviders with Centrelink of family tax benefit—about what their system is disclosing and how many people appear to be in the system. But our figures are much more complete and up to date, naturally, in relation to our own department and to the Centrelink-provided figures of how much we are paying customers by fortnight.

Senator MARK BISHOP—And what does the trend show?

Mr Henry—The trend shows the continuation of movement, as I said. It is partly that we are picking up more customers and it is partly that Centrelink is making some of the payments of top-ups that we expected to be made through the tax system. This is mostly to assist customers and to make sure that they get the payment. I am sure that most of our customers getting top-ups are happy to receive them either through Centrelink or through the Taxation Office.

Senator MARK BISHOP—Can we just pin this down and try and end it off. The survey suggested it was going to be 80 per cent to go to Centrelink. It appears that it is around 90 per cent when monitoring the uptake on a regular basis. Is the trend now flattening out at 90 per cent or was there still variation in more recent months?

Mr Henry—It seems to us that the trend is flattening out. It should stabilise or plateau at a figure that is rather higher than 80 per cent. It does not look like it is going to fall back. I do not expect it to change markedly from now on.

Senator MARK BISHOP—That answers that question. Could I then ask FACS whether you could liaise with the ATO to produce a table which shows the reduction of FTB through the tax side? Is that possible?

Mr Henry—We will do our best, Senator. There are some issues around the tax side and particularly in the extrapolation of complete data, not so much on tax claimants who claim at

the end but on some customers who are receiving tax payments as tax instalment deductions during the year. It is harder to get complete information out of the taxation system in relation to exactly how many customers are receiving their payments through tax instalment deductions.

Senator MARK BISHOP—I take that point. Take the question on notice and let us know.

Mr Henry—We will take it on notice and do our best with Tax to provide an answer.

Senator MARK BISHOP—Could you also provide the committee with a copy of that survey of customer intentions that we were just discussing?

Mr Henry—I believe so, Senator. I will get it out. My recollection is of 80 per cent. I will need to check the figure, but I believe we could provide the report.

Senator MARK BISHOP—In terms of the table that I provided to you and the large differentials between the budget figures in May and the MYEFO figures in October totalling in the order of $5 billion over those five agencies and pensions over the four-year period, do you say that that difference is accounted for by the different levels of uptake to Centrelink, or was that only in respect of the family tax benefit?

Mr Henry—I was only answering a question there specifically in relation to family tax benefit. I would be loath to comment on the other payments. Alex would be more able to do that, but I can provide you with the information on family tax benefits.

Senator MARK BISHOP—Family tax benefit is about 30 per cent of that $5 billion—

Mr Henry—That is right.

Senator MARK BISHOP—Mr Dolan, can you explain sequentially the reason for the difference in each of the other benefits listed on the left-hand side of that table?

Mr Dolan—As I indicated in my initial response, there is a combination of factors. The take-up assumptions that Keith Henry has just taken you through for family tax benefit and the other factors which affect the other payments are basically changes in economic parameters that make up the budget changes in unemployment parameters, CPI and wages. Social security payments and Newstart allowances are impacted on by—

Senator MARK BISHOP—Stop there. So you identify changes in budget parameters as a causal factor. When we look at the parameters—such as the unemployment rate, wages growth, inflation—the changes in those parameters have been, at best, marginal.

Mr Dolan—With the amount of money that we are dealing with in this portfolio, the relatively minor changes in economic parameters can have a significant impact on the experience. For example, $5 billion over four years is out of a total of almost $200 billion. It is a $50 billion a year portfolio. I know $5 billion is a lot of money but, relative to total portfolio expenditure, it is a relatively small change as a variation of expenditure. There is a general point that what might seem to be relatively small changes in economic assumptions can have quite significant dollar impacts on total social security spending. It is the nature of the figures.

Senator MARK BISHOP—Let us go down that path. What were the material changes in the parameters that did have this effect?

Mr Dolan—I am not able to answer that question because those are Treasury budget parameters. I can talk about the impact on the variations, but I am not in a position to discuss the actual parameters themselves.

Senator MARK BISHOP—I do not understand why you are not in a position to do that. You have put that forward as a major cause resulting in the variations. Why can't you discuss it?

Mr Dolan—I do not have the actual parameters with me. I will have to take that on notice.

Mr Mann—I can help you a little with Newstart.

Senator MARK BISHOP—No, we are talking about the parameters. Mr Dolan has told the committee that the change in the two sets of the figures is $5 billion over a four-year period. This has occurred firstly because of changes in the agency but then he identifies changes in budget parameters, which he also identifies as material changes. My question is: what are those material changes? I was a little bit generous before when I said that the changes were minimal, almost non-existent.

Mr Dolan—I can refer you to page 8 of the Mid-Year Economic and Fiscal Outlook, the Treasurer's documentation. It is a table which refers to domestic economy forecasts. It does compare between the budget and MYEFO for 2001-02 only. It shows an increase in the average earnings from the budget time assumption of 3¾ per cent to the MYEFO assumption of 4¼ per cent. In respect of the CPI, there is an increase in the assumed CPI from two per cent to 2¾ per cent. Those are the figures for one year only, but those two figures suggest a significant increase. Increases in the very first year will carry forward for the rest of the forward estimates, because those increased pensions to a higher level than otherwise would have been the case. You had two examples of variations, and it is almost a one percentage point variation on a portfolio of our size. Variations of that nature can lead to significant monetary impacts. It does not answer your whole question, but it is an indication of some of the changes.

Mr Mann—Can I illustrate with some numbers for Newstart. An increase is indicated here. The same figures are in the AEs. For 2001-02, we are talking about an increase of about 12,000 people on average who are receiving Newstart. That probably is the single main factor here accounting for that growth in 2001-02.

Senator MARK BISHOP—So you say an underestimation in the number of applicants between budget and MYEFO in terms of Newstart accounts for the bulk of that differential over the four-year period?

Mr Mann—No, I am just talking about 2001-02. I would say approximately half of the increase is numbers, but it would also be an increase in the average payments that are made overall during the course of the year to people on benefit.

Senator MARK BISHOP—But you would have factored in the increase in the average payment in the budget figures. That would be a standard formula, would it not?

Mr Mann—No.

Mr Sullivan—Senator, you seem to be wanting to focus on what is a Treasury document, the mid-year forecast. What has been explained in the table is that those parameter changes are automatically plugged through our system and those numbers are reflected in the additional estimates documents that you have got today. It is not about an underestimation in Newstart applications. It is about a parameter change in respect of unemployment, CPI and a number of other things that result in the Newstart estimate of payments under Newstart going up. We are not responsible for saying that the unemployment rate will be X, the inflation and the CPI increase will be Y and the changes in average earnings will be Y—that is Treasury. In examining what these parameter changes are about, Treasury is the relevant place to ask those questions. They do have an impact on us and we can explain those.

Senator MARK BISHOP—I do understand that point, but you are the agency that has the responsibility for disbursement of the funds.

Mr Sullivan—That is right.

Senator MARK BISHOP—And the figures do show what to me is a serious issue—a change in expenditure in a period of less than six months of $5 billion. You respond that it is predominantly due to budget parameters that have been imposed upon you by Treasury.

Mr Sullivan—The point we have made is that $5 billion in the forward estimates is 2½ per cent of our appropriations over the forward estimates. One-third of that, as you pointed out in your document, is family tax benefits. We are now saying that there is a 1.8 or 1.7 percentage change in our forward estimates appropriations due to what are largely parameter changes reflected in the more common reporting and estimates that we now have in place in this country. We believe that is a large number—no-one is stepping away from the fact that $5 billion is a large number—as is 3.4 outside of the family tax benefits, but in terms of those parameter changes, as Mr Dolan has said, minor variations, and he referred to a few of those minor variations, can have the impact of a 1.7, 1.8 change in our appropriation levels over four years quite simply, and it happens. And a change in a number either way will have a similar effect each time Treasury does its review and, if it feels it necessary, it comes out with different economic forecast parameters—which we must apply.

Senator MARK BISHOP—Okay, I understand that point. Were there substantial variations in customer numbers in the forward estimates that were not anticipated at budget time?

Mr Sullivan—In Newstart or—

Senator MARK BISHOP—In each of those pensions or entitlements?

Mr Dolan—The major changes in customer numbers were in respect of the family tax benefit because of the changes there, and also through the Treasury unemployment parameter changes, and that is speaking generally. The other variations, as I indicated, were the source of inflation and wages forecasts.

Senator MARK BISHOP—So the major variations in customer numbers were in the family tax benefit and—which other one, Newstart allowance?

Mr Dolan—Newstart allowance.

Senator MARK BISHOP—And what was the scale of that change?

Mr Mann—I mentioned for Newstart that the additional estimates document assumes an additional 12,000 people on Newstart on average during the course of the year.

Senator MARK BISHOP—And that 12,000 change was between budget and MYEFO?

Mr Mann—Yes, probably some time in September, I would have thought.

Senator MARK BISHOP—And the figure for family tax benefit?

Mr Dolan—The estimates variations that you see for the family tax benefit are due virtually exclusively to the customer change. I cannot translate that into the number of families.

Senator MARK BISHOP—That is almost solely related to the switch to Centrelink. So the only serious change in total customer numbers was in the Newstart allowance.

Mr Mann—That change was put through the estimates towards the beginning of the financial year. Our current thinking, looking at the trend of numbers during the course of the

year, is that we will actually come in nearer the budget figure. So we think we will not overshoot on numbers.

Senator MARK BISHOP—What is the total number, as a broad figure, of recipients of those five benefits or pensions?

Mr Mann—I can tell you what Newstart is. We are talking about 600,000 people on Newstart.

Senator MARK BISHOP—We are talking a number of millions of people receiving these benefits, are we not?

Mr Sullivan—There are indeed millions of people receiving benefits.

Senator MARK BISHOP—For the five benefits I am talking about on the table—family tax, child care, Newstart, disability and aged pension—it is several millions, is it not?

Mr Sullivan—Yes. There are 2 million families in receipt of family tax benefit.

Mr Dolan—In the 2001-02 Portfolio Budget Statements, there is a section which provides performance indicators for various social security payments, for example. This is what the assumptions were at budget time. We actually do give estimates—for example, under Newstart allowance, an estimate of 610,000 people. That appears on page 137 of the 2001-02 Portfolio Budget Statements. We get this from the customer numbers at budget time.

Senator MARK BISHOP—My rough take was in the order of 5 million, give or take. We will use that as the figure for the purpose of this discussion. Of that 5 million customers or recipients, the only significant change in numbers that we have identified, Mr Mann, is the 12,000 in Newstart allowance and 12,000 divided by 5 million is virtually nothing. You have also said that you think the budget figures will swing back and come in very accurately.

Mr Mann—On customer numbers, yes, we do.

Senator MARK BISHOP—On our current understanding of the numbers. That suggests that, indeed, the almost sole causal factor in that blow-out is the change in budget parameters.

Mr Sullivan—The FTB numbers, as you pointed out, were about one-third of the change. The major cause would be parameter changes to do with a number of factors, including movement in wages, movement in CPI and movement in unemployment assumptions.

Senator MARK BISHOP—The budget figures are pretty well accurate; the changes relate to variations in the parameters which, for the sake of this discussion, we accept can change; the budget figures are coming in as pretty accurate; and there is no dramatic increase in the number of people in receipt of benefits with the exception of Newstart allowance. Does that mean, with the significant overpayments being identified in the family tax benefit and the child-care benefit last year, that reconciliations and adjustments in future years will have a downward effect on outlays? Is that a fair statement?

Mr Sullivan—We are moving into new territory here, but it is not necessarily because a reconciliation is purely that. It is basically saying that, on the basis of estimates given to us by a client, a payment is made. On the basis at the final time in the year—a client being able to provide the actual income—that is reconciled. It goes both ways: we pay a lot of people more money as a result of those reconciliations and we raise debt against some people as a result of those reconciliations because of their estimate bearing. That is something that, being linked to the tax year and taxable income, will happen regularly. It is up to people. The message that we are giving people and that Centrelink is giving people is: watch those estimates, update them and this will avoid a reconciliation resulting in a debt occurring. I do not think that has had a marked effect or impact on overall outlays at all.

Senator MARK BISHOP—If the reconciliation process results in fewer outlays via repayment of incurred debt, why would that not have an impact, a downward effect, on the total of outlays in future years, unless you have already counted those in?

Mr Sullivan—It gets into a comparison between what our actual estimate of outlays was compared with what the client's perception of the actual estimate was.

Senator Vanstone—Are you asking whether, in any one year, if the actuals are different from the estimates you should make an assumption that the same percentage change is going to occur in future years?

Senator MARK BISHOP—No. What has emerged this morning is this: firstly, there has been little increase anticipated in the number of recipients in the various benefits listed in the table. Secondly, the change between the budget figures and the MYEFO figures is generally attributed to changes in budget parameters, which have a flow-on effect in terms of numbers and costs. The reconciliation process, in terms of the family tax benefit and the child-care benefit, is going to result in debts being paid back to the government. I am putting to the officials that the scale of outlays in the out years is likely, based on those facts, to come down. Mr Sullivan is essentially disputing that point.

Mr Sullivan—I think I am only disputing scale. If we are in dispute—and I hope we are not—I was saying I did not think the scale would be that high.

Senator Vanstone—With respect, Senator, what you said to me then did sound like the proposition that I put to you. There are a number of reasons why you would not necessarily assume that a percentage change in one year would be reflected in others. One of the reasons would be that this is a new system, and people will adjust to the system. They will come to accommodate that it is a system where you get top ups that you did not get before. I noticed the media is not terribly interested in running that because it is a good news story. We have had hundreds of thousands of people who have got top-ups that they did not get in the past, and there are people who have underestimated their income and had overpayments, so they will have to pay those back. But people will adjust to that. Therefore, I would not expect that any percentage change in the first year necessarily would be reflected in outyears. Behavioural change obviously takes a little bit of time but, once people have accommodated a cultural change in a system, it is accommodated and the behaviour pattern stays pretty much the same, unless some other intervening factor comes into play.

Senator MARK BISHOP—To the extent that those behavioural and cultural changes work their way through the system and have not been accounted for in these figures, it will affect the scale of the outlays in the out years, won't it?

Senator Vanstone—Say that again.

Senator MARK BISHOP—You have identified cultural and behavioural factors amongst others as impacting on the scale of the difference, the appropriations in the out years. To the extent that they have not been factored into these figures in the out years—

Senator Vanstone—I do not know that you can factor them in.

Senator MARK BISHOP—That is the problem—you cannot. You suggested there might be cultural and behavioural changes in the community which are going to impact on the sale and size of benefits, but it is difficult to quantify and it may or may not impact on the outlays. That is what I am driving at: whether these figures are going to have integrity.

Senator Vanstone—I cannot resist making the point that your own party had a policy that in fact encouraged people to take $1,000 from their next year's entitlements, and I hope that

does not have some sort of cultural impact with people thinking, 'Let's try and do that, because Labor might get elected and we'll get $1,000 out of them.' I thought it was an unusual policy, actually—advertising that you want to put people into debt.

Senator MARK BISHOP—It was probably built upon your decision sometime around July or August to waive debts on a one-off basis.

Senator Vanstone—No. Yours was a permanent $1,000 a year debt offer.

Senator MARK BISHOP—You asked the basis of it, and I suggest that it might have its roots in that.

Senator Vanstone—Like gamblers and casinos: 'Come in here and throw your money away.'

Senator MARK BISHOP—All right. We can engage in this banter as much as you like. Can we go to another issue. Ms Roxon wrote to you, Minister, concerning the Chilean community and receipt of payments and taxation of pensions from the Chilean government, She made the analogy with Holocaust survivors. You responded to her:

> You will be interested to know, however, that the Australian Government has asked for further information about the Chilean government payments. The income test treatment of these payments will receive serious attention when this information is available.

Senator Vanstone—I am not sure that it is available.

Senator MARK BISHOP—Can you bring us up to date on that?

Senator Vanstone—I am trying to get someone who can.

Mr Barson—Would you mind repeating your question?

Senator MARK BISHOP—Can the department provide an update on their investigations into the matter of the social security treatment of Chilean pension of mercy payments? Ms Vanstone wrote Ms Roxon on 31 May, saying that it was under serious investigation.

Mr Barson—We will get another officer to come to the table as well, and we will be able to give you an answer. I can tell you that it is a complex issue because it involves a number of elements around the treatment of pensions with various countries. The position at the moment is that we are intending to discuss this issue as part of continuing negotiations with Chile around a social security agreement with that country. Those negotiations are not complete but they are continuing, and that is where we intend to address this issue.

Senator MARK BISHOP—Do you have any forward time frame on those negotiations?

Mr Barson—I am not trying to dodge, but it is always difficult to give time frames on these negotiations, because they depend so much on the other country as well as incidents that come up. We have had a number of communications with Chile recently and we are, at the moment, waiting for a reply from Chile. We have informal advice that Chile will want to have a round of negotiations in early 2002 and that they in fact intend to raise this issue. If that proceeds, then hypothetically the agreement would be ready for signature in late 2002 or early 2003.

Senator MARK BISHOP—So negotiations will be early this year, with a possible conclusion towards the end of this year?

Mr Barson—Correct. I guess that the key points there are that Chile currently have a draft text of that social security agreement; we understand they are considering it; and, as I have said, we have heard that they will come back to us in early 2002.

Senator MARK BISHOP—Mr Sullivan, I want to finish off that other discussion. Just to wrap it, is the department saying that they have clear estimates and they have already factored in the downward effect of reconciliation?

Mr Sullivan—I would agree with the first part: we have clear estimates of our expenditure under both family tax benefit and under child-care benefit. There is an impact of reconciliation; they are both top-ups. As the minister pointed out, 205,000 people received top-ups to their family tax benefit last year and many people received top-ups to their child-care benefit last year. These are reflected accurately in our financial statements, because in the end it flows through to our financial statements. If there is a debt incurred, it is recorded in our financial statements as an asset and we pursue it through that. We certainly look at our actual payment levels in terms of their impact on our estimates.

Senator MARK BISHOP—So the short answer is, yes, they have been—the downward effect.

Mr Sullivan—Yes, I believe the estimates are accurate.

Senator MARK BISHOP—So we had the downward effect of the reconciliation in them.

Mr Sullivan—In saying that I believe the estimates are accurate, it is our estimate at the moment. We are still seeing this matter evolve in respect of both the shift in the client base and, as the minister said, we will still see some behavioural change occur. What we may have to be more careful about in the end is the fact that more and more people will move their estimates to the point where they know they will be eligible for top-ups. We might see that.

Senator MARK BISHOP—I understand. The chair just asked me if I still required the officers from Centrelink to remain, as I was shifting over the place, and I take that point. I do have some questions on the Social Policy Research Centre, which probably go to FACS, to the department. But then I am going to be moving into the family tax benefit and the child-care benefit, so if you could just indulge me, Ms Vardon. Can you explain the nature of the work undertaken by the Colmar Brunton Research Ltd that is described in the annual report as research into welfare reform, issues and messages? Could you give a brief description of that?

Mr Sullivan—Could you give me a reference in the annual report?

Senator MARK BISHOP—It is in the appendix on page 373, table 92, advertising and market research. Would you give us a brief description of that research?

Mr Kalisch—I will give you a brief overview; I do not have the research brief in front of me here. It was actually managed in a slightly different area of the department. It was essentially to look at people's understandings of the social support system and how government could best convey messages so that they would then take up some of the behavioural changes that we expected in the Australians Working Together package of budget measures. We conducted some focus groups to test how people would react to certain messages, so that we could best place those messages within the material that was put out in the budget.

Senator MARK BISHOP—So you had focus group surveys to test messages.

Mr Kalisch—Yes. As you might be aware, in the Australians Working Together package, some of the initiatives that were announced in that package went very much towards trying to increase people's job search activity. So people take up part-time jobs, casual jobs, to do better at looking for work and to do more intensive job search. It was quite clear that, as part of that, we needed to get out some clear messages to customer groups. We tested some of those messages so that we would be able to put the best of them out.

Senator MARK BISHOP—When you say 'test the messages', do you mean test the language?

Mr Kalisch—Yes, test the language and test reactions to certain approaches. The last thing we would want is to have some messages going out with unnecessary information about new initiatives to which people would react adversely.

Senator MARK BISHOP—So all of that work that was done by the Colmar Brunton Research group was to that effect?

Mr Kalisch—Yes.

Senator MARK BISHOP—And that was something in the order of $246,000?

Mr Kalisch—What I am talking about is the welfare reform component of that. They had some other work that they did for the department in other areas that other people are best placed to talk about. Can I make it quite clear that I have just been talking about the welfare reform component.

Senator MARK BISHOP—That is the $54,000?

Mr Kalisch—Yes.

Senator MARK BISHOP—Can you provide a copy of the material submitted by Colmar Brunton to the committee?

Mr Kalisch—I am sure we could find a copy of that. I will take that on notice.

Senator MARK BISHOP—Indeed, IRIS Research did some research to examine opinions, attitudes and behaviours of Internet users and gamblers. They were paid $54,546. Who requested that work to be done?

Ms Paul—I can get some more details from the gambling experts, although I probably should not call them that. In undertaking a program of research in the gambling area, the Commonwealth has been interested in behaviour, obviously, because most of your harm prevention approaches to problem gambling are around changing people's behaviour. For example, would a problem gambler be discouraged from keeping on playing the pokies if an ATM machine is not in the club space, or if they have to go outside to have a smoke? It could be as basic as that. Part of the research program that we have been interested in goes to some of those things because behaviours are really the key.

Senator MARK BISHOP—Who requested that? Was that requested by Communications or FACS?

Ms Paul—By us. We would have put this out to tender and IRIS would have won the research. It goes to our policy agenda of our program of research on gambling in terms of what will change problem gamblers' behaviours.

Ms Smith—At the time we were working with NOIE, as they were developing their work on how to approach addressing interactive gambling, we were concerned to be able to understand what the community's attitude would be towards a ban on interactive gambling and the extent to which people were interested in using the Internet to gamble. We tendered for this research, and this particular company have some experience in doing community based research. They conducted a telephone based survey for us on the issue.

Ms Paul—And found that a high proportion of people preferred a ban.

Ms Smith—Yes, that there would be strong support for a ban. We were also interested in the extent to which a ban would act as a deterrent given that, as you are probably aware, it is

important to know how far you need to take measures like this in order for them to be effective.

Senator MARK BISHOP—Can you provide a copy of that material?

Ms Smith—Yes, I can.

Senator MARK BISHOP—Can the department also provide a copy of the material about market testing of seniors information, which was submitted by Worthington Di Marzio for $69,000?

Ms Paul—I imagine we can.

Senator MARK BISHOP—The department spent $63,000 on infomercials promoting awareness of the Family Assistance Office. What was the purpose of these and when were they screened? Do you have that detail to hand?

Ms Paul—I do not have that to hand, Senator. I am just seeing if somebody does. Where are you in the book, Senator?

Senator MARK BISHOP—I had been dealing with the annual report at pages 373 through to 376.

Ms Paul—I see where you are.

Mr Popple—These infomercials were placed on *Good Health*, which runs on a television set in various doctors' surgeries and things like that. They were promoting aspects of the family tax benefit and child-care benefit. The infomercials were mainly about estimating income, giving people information about the location of the Family Assistance Office and giving people information on the child-care benefit as well.

Senator MARK BISHOP—Can you please take the following questions on notice. I would like a breakdown of both the advertising campaign introducing tax reform measures and the national radio and television advertising for the seniors campaign, booked by Mitchell and Partners. I would also like information about the work undertaken by Batey Kazoo, including the dates, size of the buy and where the ads were broadcast. Can you also supply to the committee the results of the two AC Neilsen surveys, referred to at page 354; details of the work that Corrs Chambers Westgarth undertook for the department, referred to at page 357; details of the Donovan Research evaluation and pre-marriage education pilots, referred to at page 358; details of the Further Perfect Communications and the two consultancies listed in the annual report at page 358; and details of the project undertaken by Howard Partners, referred to at page 358. Could you also provide the methodologies and results of the two projects conducted by Wallis Consulting Group about retirement attitudes and the survey of unemployed customers, which are referred to at page 367. At page 383 of the annual report, in terms of the discretionary grants, there is a grant of $489,698 listed as 'Support—parent professional partnerships in children's services'. Who received the money and what was it for?

Ms Paul—I will just need to get the right person to answer the question, Senator. I will just get our branch head from the relevant child-care area centre. You wanted to know, Senator, who—

Senator MARK BISHOP—I was inquiring about the support for parent professional partnerships in children's services—expenditure of $489,000. Who received those funds and what was it for?

Ms Casey—It was to do with the quality assurance program. Several consultancies were let last year. One was for the quality assurance of the outside school hours care program and

the training package for the family day care quality assurance program. There was $773,000 to go towards training of family day care schemes. There was also an amount of $47,000 which went to developing quality measurement tools and the model for the implementation of quality assurance systems for family day care.

Senator MARK BISHOP—How did those figures fit in with the—

Mr Sullivan—We will take it on notice and get, as per the annual report number, exactly what that $489,000 was for.

Senator MARK BISHOP—You do not have the details, Ms Casey?

Ms Casey—Not the full details. I would have to come back to you on that one.

Mr Sullivan—We are happy to do that. There was nothing in the additional estimates that went to this area. We will get the information for you.

Senator MARK BISHOP—If you could provide me with the number of consultancies, details of the tendering process, who the consultancies were awarded to, the nature of the work carried out and the follow-up report.

Mr Sullivan—These are grants, not consultants.

Senator MARK BISHOP—Sorry, the grants. Similarly, can you provide on notice the details in terms of outputs, timing, people surveyed or consulted, of all the consultancies listed in table 88 of the annual report relating to child care: Arthur Andersen $45,000; Datacol Research $5,800; Datacol Research $13,500; Datacol Research $65,000; Deloitte Consulting $152,000; Indigenous Model Consultancy $27,000; KPMG $48,000; McMillan Staff Development $268,000; Morgan and Banks TPM $116,000; Newton Wayman Chong $81,000; Orima Research $31,000; Small Business Research Unit $44,000; Spice Consulting $71,000; Spice Consulting $125,000; University of Melbourne $46,000; WACOSS $46,000; and Westwood Spice $72,000.

Mr Sullivan—We will take that on notice.

Senator MARK BISHOP—That concludes my questions to the department. Next I intend to have a lengthy discussion on family assistance, the family tax benefit and child-care benefit. Before I do so, I think Senator Denman has some questions.

Ms Vardon—Senator, Mr Woolmer can answer your question on the privacy matter.

Mr Woolmer—It is in the annual report on page 232, the open finding case. I will not go into too much detail. The case has gone on for a couple of years. It was referred to us last year from the Privacy Commissioner. It simply involved a member of the public coming to see Centrelink and providing some information. He happened to walk into his ex-mother-in-law. We believe she released some information to her daughter who placed some garnishee orders, and things like that. The matter is in the hands of the DPP. The Centrelink officer resigned during the course of the investigation and it is with the DPP at the moment.

Senator MARK BISHOP—Is the suggestion that the Centrelink officer improperly gave the material to the daughter?

Mr Woolmer—Yes. The prima facie case shows that the DPP do not believe that there was enough evidence to form a successful prosecution, but the matter rests with them at the moment.

Senator MARK BISHOP—They are still considering—

Mr Woolmer—The case is still open, hence it is an open case with the Privacy Commissioner and us.

Senator MARK BISHOP—When do you think the DPP will have a firm view?

Mr Woolmer—I am sorry, I cannot advise that. I honestly do not know; it is resting with them. I would hope in the next few months.

Senator MARK BISHOP—When was it referred to the DPP?

Mr Woolmer—It was referred in the middle of last year. They have asked for more information, which we have provided as well.

Senator MARK BISHOP—When did they request that additional information?

Mr Woolmer—I am sorry, could I take that on notice? I am not sure of the actual dates.

Senator MARK BISHOP—Could you provide details of the two cases of privacy breaches in which criminal charges were laid?

Mr Woolmer—Once again, Senator, I just provide general information. We had a case in Queensland at the time where one of our officers was selling information to parties outside the organisation for personal profit. We uncovered that in the course of reviewing record logs after a tip-off. The officer was prosecuted. The case was referred to the AFP, DPP. She has, I believe, currently just gone on parole. She actually went to gaol. The other one led to a prosecution. To the best of my recollection, it was a case in Melbourne where a person actually fled the country as well, and they successfully got them overseas. The person was an ex-employee as well, who was doing a very similar thing—releasing information.

Senator MARK BISHOP—So the ex-employee was releasing information and, when investigated, fled the country. Is that what you are saying?

Mr Woolmer—Yes, that was the case, I believe, if my recollection was correct.

Senator MARK BISHOP—So that would be the end of the matter?

Mr Woolmer—No.

Senator MARK BISHOP—So the investigation is still proceeding?

Mr Woolmer—He came back to Australia and was detained.

Senator MARK BISHOP—Where is that at?

Mr Woolmer—I believe they are preparing a case at the moment in Victoria for the prosecution as well.

Senator MARK BISHOP—How many privacy breaches have there been since the end of the financial year? Do you have that number to hand?

Mr Woolmer—I do. There are nine current cases with the Privacy Commissioner—four initiated by us; five by the Privacy Commissioner. These are the figures that have been given to me. We have had, thus far until the end of January this year, 809 allegations, and every year we run on a ratio of about 30 per cent proven to be unsubstantiated allegations. That figure is relatively constant over the last few years.

Senator MARK BISHOP—So you have had 800 allegations per year to date and something in the order of a bit less than 300 had substance.

Mr Woolmer—Yes.

Senator MARK BISHOP—Of those, nine have been referred on to the Privacy Commissioner.

Mr Woolmer—Or have been actually initiated by the Privacy Commissioner where the citizens have gone to them.

Senator MARK BISHOP—Would the nine that have gone to the Privacy Commission be significant incidents?

Mr Woolmer—Who determines significance? They obviously are to the individual citizen. I will generalise a little: sometimes people are aggrieved because they actually get caught out in doing something and they believe they have a privacy case. We have a policy of complete openness with the Privacy Commissioner and we have a set of standards and rules, which we apply fairly rigorously inside Centrelink. There require all allegations to be recorded and investigated. The ones that are deemed to be of sufficient severity are referred to the Privacy Commissioner or other agencies where these exist.

Sometimes we have cases where information would appear to be passed to other agencies and it is completely legitimate. People can form varying opinions as to what we do on pieces of evidence but, quite often, most of the cases are deemed to be sufficiently investigated and closed. We do have cases where we are at fault, and we openly admit those cases as well. We have nine cases at the moment. They range from cases about known medical conditions, and we have passed on information to other people, through to a case where a person has difficulty accepting that we are allowed to look at their financial details in a bank account if we request it from a financial institution.

Senator MARK BISHOP—Stop there, Mr Woolmer. Can you briefly describe the more significant incidents that have been referred on?

Mr Woolmer—With section 40 investigations—which are open cases this year—we have a case where there was a release of information to a state housing authority. That case is still open. We have another case that involved us allegedly providing information to an insurance company at the request of the insurance company as well. We have another case which involved a matter of implied consent, where a person of the public claims that we should not have provided information to her partner over a set of circumstances—even though we had previously received nominee status from that partner and they were together at the time of the phone call. So there are those sorts of things. Sometimes things, for all best intentions, go astray. We have had a case of transposition errors in fax numbers occasionally, but I can assure you that everything is investigated rigorously.

Senator DENMAN—We quite often get calls into our office about minor things. I can remember one call recently about a guy who was on benefits but was also selling wood to people in the community. Do we hand that sort of stuff on?

Mr Woolmer—Firstly, it would depend on how we received it.

Senator DENMAN—I did not do anything about it because it seemed to me to be quite minor.

Ms Vardon—That would be dealt with under our tip-off arrangements. We get thousands of tip-offs all of the time. We follow them all up.

Senator DENMAN—I have a couple of questions about Centrelink issues. One is on the welfare cheats issue: of the 250,000 payments that were cancelled or reduced, how many of those were genuine errors and how many were absolute rip-offs?

Ms Vardon—I think there is a bit between rip-off and error.

Senator DENMAN—How many were deliberately cheating the system and how many were making genuine mistakes?

Mr Richardson—Sometimes it is a bit of a fine line between the two.

Senator DENMAN—Yes, I realise that.

Mr Richardson—The data that we have got that would probably best present this relates to the prosecutions. If we regard the case as being a serious attempt at defrauding the system, we refer it through to the Director of Public Prosecutions. We refer a little under 4,000 cases through to the DPP in an average year. Of the prosecutions for the last financial year, there were 2,788 convictions for welfare fraud in the 2000-01 financial year in relation to family and community services programs. So about 3,000 or thereabouts are convicted for serious cases of fraud each year.

Senator DENMAN—Of those people who are genuinely confused, what is done to address that sort of confusion—those people who did not deliberately set out to cheat?

Ms Vardon—We do a number of things. We are just actually doing a big debt prevention strategy, because we wish that people did not get into debt with us. That is one of our big goals. So it can leave people who deliberately manipulate the system to their own ends; then we look to prosecution. But as a general rule we are looking hard at debt prevention. We have actually just put in a big debt prevention strategy. Paul Hickey is looking after it.

Mr Hickey—What we are doing is increasingly looking at case studies, if you like, to try and understand the circumstances that have contributed to people incurring a debt. We are profiling the various payment types to try and understand what is the circumstance that is not being notified to us that gives rise to the debt and then trying to prevent that in the future, trying to develop targeted strategies for getting messages through to that particular group of people about what their obligations are, reminding them of the need to notify us. For example, our area Central North Queensland, based in Townsville, have been doing some work for us on student debt and have developed a video which they are taking out through education institutions, to counsellors within the education institutions, the universities and the TAFEs and the like, which is just a short clip which reminds students about points at which they need to contact us and let us know if they have changed their enrolment status from full time to part time or whatever the circumstance might be. The strategy that is being developed at the moment is looking right across all of the various payment types that we have, looking at where these trigger points are and then how we can intervene, if you like, to remind people that if something happens they should get in touch with us.

Senator DENMAN—Do you have statistics on people who constantly reoffend—or doesn't that happen?

Mr Hickey—We do have people who on more than one occasion fail to notify us. Within the sort of tolerances that we have, those cases ultimately would be the ones that we would look at going down the prosecution path with. Obviously if people are getting into financial difficulties themselves, we have the social workers around our network to whom we can refer these customers for assessment and see whether there is some other contributing factor that we can help the people with. At the end of the day, we are often dealing with people who are simply unaware or who have forgotten that they have an obligation to deal with us. We contact them through the debt management processes and endeavour to remind them of their obligation to keep in touch with us.

Senator DENMAN—I think by that I probably meant 'deliberately reoffend'.

Mr Hickey—They would ultimately go down the prosecution compliance path.

Senator DENMAN—Okay.

Senator GIBBS—You say you send people who get into debt to counsellors within your network. Do you actually send them to financial counsellors?

Mr Hickey—We have financial advisers within Centrelink who can provide general advice but not recommendations about how people should manage their affairs.

Ms Vardon—I can say the social workers do. I met with the Financial Counsellors Association of South Australia recently and all of them were familiar with our customers: there was about 100 per cent overlap. I was quite pleased that there was a very good relationship between our agencies and them and they were doing a lot of work as referrals from Centrelink—people who had got themselves into financial trouble. So there is a general referral network from our officers—

Senator GIBBS—Yes. I know there are financial counselling services that give free service in certain cities but not everywhere. A lot of people cannot handle money. Consequently they get themselves into trouble.

Ms Vardon—That is right. I think as a general principle—I cannot speak for every social worker—I would have thought that most of our 500 social workers would use financial counselling services to the best of their ability if they were present in the local community.

Senator GIBBS—Okay. Thanks.

Senator DENMAN—I have a couple of questions on the Rules Simplification Force that was set up. It is in the annual report. Has that been completed? It was supposed to go to the minister in August. Has that been completed?

Ms Vardon—I would like to refer that to our colleagues in FACS. We have partied with them.

Ms Raymond—A report was sent to the minister at the end of August. There have been a number of announcements made in relation to the recommendations of the task force and there is ongoing work relating to simplification going on across Centrelink and FACS. We see it as an ongoing project and the first stage was just a preliminary stage.

Senator DENMAN—So some of those recommendations are already being implemented?

Ms Raymond—That is right.

Senator DENMAN—Is it possible for us to get a copy of the recommendations?

Ms Raymond—They are with the minister at the moment but we could get a copy of the ones that have been announced—no problems at all.

Senator DENMAN—Okay.

Ms Raymond—I cannot table now but we will get them to you.

CHAIR—Ms Vardon, can I ask for some clarification on this issue: there are people who have temporarily been in the work force and have notified Centrelink; they finish that work and then they are asked to go back with positive identification it seems every few weeks, every six to eight weeks, and invariably in the meantime their benefits are cut off. I have no problem with people having to provide positive identification. Where I am confused is where there can be two people doing almost the same amount of work in the same circumstances—of advising that they are working and then advising that they are not, they are working and they are not, and so on—and one is asked to provide this positive proof of identification over a very short space of time and the other one is not.

Ms Vardon—Would you be referring to someone who is on Newstart on the one hand and another payment on the other? Is that in your mind?

CHAIR—No; both in the same circumstance. I am just a bit confused as to why that would be so and why there is a requirement every few weeks for some people to go and provide this positive identification. The other query is that this person who continually gets requested to go along has been told that the passport is the most effective thing and no drivers licence or this, that or whatever is as effective. That person only got a passport in December, and the poor old passport has now been flogged to death by Centrelink.

Ms Vardon—Our proof of identity expert, Carolyn Hogg, is about to answer your question.

Ms Hogg—I might link that back to the rules simplification question that Senator Denman raised before. We have just, through the rules simplification exercise, tried to make this simpler for customers if they have in fact previously provided the full level of proof of identity that is required. That is normally a primary document such as a birth certificate or passport and some supplementary documentation with that. What we have introduced during rules simplification is that within 52 weeks of having done that, particularly for people who are unemployed, we will take just the secondary document. But we should not be—and this is the general rule—asking the customer to again provide full proof of identity.

CHAIR—How frequently, though?

Ms Hogg—If the customer goes off benefit and reclaims or comes back to us and the circumstances change within the 52 weeks, we would be looking for, if you like, that abridged process of identifying who that customer is again. Within the rules there is flexibility for our staff to use various means to identify who that customer is if in fact they do not have those documents. The discretion is there as long as the Centrelink officer documents what they have used—either previous knowledge of the customer or et cetera—to quite clearly state that we are happy with the bona fides and identity of this particular customer. Every customer going off payment should be reaffirming or we should be reaffirming their identity, normally not through as many documents as previously if we have seen the customer before. But if those documents are not available the flexibility is there for our staff to make a statement that they are satisfied with the identification of the customer.

CHAIR—Can I just clarify that? What you are saying to me is that every time they go off payment they are required to provide identification when they go back on.

Ms Hogg—Yes.

CHAIR—I understand that. Why then, in the time that they are on payment, is that same person required to go in periodically and prove who that person is when someone else who is doing casual work as well does not even have the first requirement, let alone the subsequent requirements, when they are on payment?

Ms Hogg—Senator, I am not aware of any requirement we have, if a customer is currently on payment, to re-establish identity through the course of that payment. Of course, every time we talk to a customer, we have our own processes to ensure that we are actually talking to that person. Through some information we hold, we will reaffirm who that person is. But we do not ask them to produce evidence of identity through the course of payment.

CHAIR—It is happening.

Senator DENMAN—I think it varies from Centrelink to Centrelink. I have heard of this, too.

CHAIR—It is happening. Can I give you a further example. The person to whom I am referring came back on payment in about early November. Since then that person has been required to front up three times with identification. Last week that person got caught in traffic, had left the mobile phone at home—it was just one of those disastrous days—and was 15 minutes late for the appointment, and was told, 'Sorry, sport, but you're not going to get another appointment for another three weeks, and if you miss this one, everything will be cancelled.'

Ms Vardon—Senator, that could not be further from our service standards.

CHAIR—She was furious, let me tell you.

Ms Vardon—I do not blame her. I am furious, too. I do not like to hear that. It is not appropriate. Is it a Western Australian case?

CHAIR—Yes.

Ms Vardon—Not every Western Australian office has got the message. I will make sure that the area manager in Western Australia gets the message as I walk out of this building today. It will be fixed.

CHAIR—Thank you. I appreciate it. As I say, it is not a complaint in as much as, sure, people have to be identified, but it just seems that some people get asked for identification more often and get threatened more often.

Ms Vardon—We will, together, make sure that this does not happen in Western Australia.

Ms Raymond—Senator, if I could add something to that: I am not sure of the circumstances at all but one of the policy issues for POI is if the person does not provide full proof of identity evidence the first time, they will be given something like four weeks to provide full documentation. That could be the situation where a document was not available in the first instance. I am just trying to interpret the situation.

CHAIR—I appreciate that. I can give you precise details because this person had only just got their passport, in November. She was asked for her passport so she had her passport and drivers licence on that particular day, and then had to go back I think in January and again last week when the—

Ms Raymond—If you could provide the circumstances, we would look at it from the policy perspective of proof of identity. As Ms Vardon said, they will look at it from the service delivery side. We will work on it together.

Ms Vardon—We have tightened up our proof of identity requirements as part of our getting it right strategy, because the auditors have found from time to time that we are not as rigorous as we might be. So there is a certain rigour in our organisation that is going on to make sure that the POI is done, but it is not supposed to be done excessively. The thing that concerns me most of all is that someone might be late and be told that they could not come back for some weeks. That is just not on. Those are the service delivery things that I will be looking at particularly.

CHAIR—The first appointment was made in 2½ weeks time, attached with a threat. If you can follow that through, I would be grateful..

Ms Vardon—You can rest assured that it will be.

Senator DENMAN—I may not have been paying attention so I may have missed this: if you do not have a passport or a licence, how do you prove your identity?

Ms Hogg—We have a points system very similar to that of the banks. If we have never had any relationship with the customer before, we are looking for primary documents. However, many of our customers do not have access to those documents. The two-pay process, where we give customers time to get some evidence together, is available to both customers and staff. Also, in the end we will accept statements, or even staff, saying, 'We are in the community, we know this person; we know the bona fides.' That is ultimately what we will accept.

Senator MARK BISHOP—I have a couple of questions to the department and then I will move straight on to the family tax benefits.

CHAIR—Senator Bishop, Senator Tchen has some questions.

Senator TCHEN—I am sorry, Ms Vardon, I am not quite clear on this point. I support the other senator's experience because I have people coming through my office with similar tales. I do not have any really bad stories because usually my staff, or sometimes I myself, ring up the same office and then send them back and everyone is happy after that. Sometimes I just send them back and say, 'That can't be right,' and if they meet with another officer the problem is solved. I can understand different quality of staff, but it seems to me that if this continues, some of your staff—the better ones—will be more and more overloaded with work because they are dealing with other people's problems as well. I do not know how you are going to deal with it, but that is the situation that is going to arise.

Ms Vardon—That is the thing that takes most of our time, looking at the quality of the interaction between the citizen and our customer service officers. That is extremely important, and we have made huge changes and improvements over the last little while. There is always a story about somebody who had a rough deal, and I will not rest until those stories disappear from the scene. I am always happy to follow up on anything that is a question of service delivery, but I can assure you that our area managers and others are working very hard to better that front office service.

I have to say, though, that we are also asking our staff to be more rigorous, because I have been under attack in this very place as a result of audit reports, where we are seen to have made errors, and often those errors are that we have actually failed to get every single piece of proof of identity. So it is a balance between doing it with the rigour that is expected by our colleagues in FACS and, at the same time, being hugely sensitive to people's needs, and our people have to learn to work that balance. It can be done, and it can be done sensitively. If there are any occasions where you want us to follow up, I am extremely happy to go back and talk to the office or get the area manager to talk to the office about how we can make them more sensitive.

Senator TCHEN—Certainly, I think you have some very good staff, particularly those at manager level. Also, the response I get is that the consensus of those people who have those experiences of your staff and the CES all agree that the service they are getting now is out of this world compared with the CES.

Ms Vardon—It is nice to hear that people are noticing that there has been a very big improvement. I could use this as a chance to advertise: we have just had an 84 per cent customer satisfaction rating in our customer service offices. That is not bad; that is people who have had recent experiences, and that is quite outstanding. Even we were shocked, so that was good.

Senator MARK BISHOP—Mr Sullivan, firstly, could the department please provide a full list of the recipients of daily press clippings and what the cost is? Secondly, can you

explain to the committee if it is true—and I am advised that it is—why the department does not circulate press clippings to the shadow minister for family and community services?

Mr Sullivan—I will take both of those issues up. Do you know why?

CHAIR—Good luck. I asked for them when we were in opposition for umpteen years, and your ministers told me to take a flying leap.

Senator MARK BISHOP—I cannot comment on that; I know that Minister Alston used to supply the Communications clips to Mr Smith and that Mrs Vale supplies the Veterans clips to my office. They are just done as—

Mr Sullivan—I will pursue it. One of the issues often is that, when you do a contract with an organisation like Rehame, or whoever, it is for use within the portfolio. We can distribute it to members of the portfolio—that is, the minister but not the shadow spokesperson. I will check why this is—if not, why not—and whether we can do something.

Senator MARK BISHOP—When I was chair of this committee, the secretary of the committee used to receive the clips, as did I as chair, so there seems to be a point of discrimination.

Mr Sullivan—That would be the Senate or the joint houses and that would be their client base. Our client base is the department. I will check. I am only attempting to guess there; I will check and get back, Senator.

Senator MARK BISHOP—All right then. But you do concede that a number of departments supply the press clips to their relevant shadow as a matter of course?

Mr Sullivan—Only on your word, which I would accept.

Senator MARK BISHOP—You have no knowledge of that?

Mr Sullivan—No.

CHAIR—It just goes to show we are nicer than you mob were.

Senator MARK BISHOP—Some are. Minister, do you have a view on that?

Senator Vanstone—Sorry, I was momentarily distracted by—

Senator MARK BISHOP—We are discussing the provision of press clippings to your shadow minister.

Senator Vanstone—Well, I know when I was a shadow minister, it only happened once and for a very limited period of time. Your party in government took a very harsh attitude to these things.

Senator MARK BISHOP—And you have the same attitude now?

Senator Vanstone—Well, to be honest, I have not actually reflected on it. I will reflect on it.

Senator MARK BISHOP—And you will advise us of your response in due course?

Senator Vanstone—Sure.

Senator MARK BISHOP—Can we now turn, firstly, to a discussion on family tax benefit. I requested the relevant officers from both the department and Centrelink to be in attendance. Perhaps you could help me.

CHAIR—I want to confirm that these remaining areas of family tax benefit and child-care benefit are your only remaining areas for Centrelink and that everyone else from Centrelink can go?

Senator MARK BISHOP—Let me just advise you—and I am not totally on top of this. I am going to pursue issues of family tax benefit, part A and part B; child-care benefit administration and debt issues; and child-care assistance debt issues. I have a whole range of matters in output group 1.2, youth and student support. I have no matters on output group 1.3, child support. I have matters on output group 1.4, child-care support—child-care services, departmental performance, advocacy and policy advice, and the first child tax bonus—

CHAIR—That sounds to me very much as though they are all departmental officers as opposed to Centrelink.

Senator MARK BISHOP—Yes, they probably are.

Ms Vardon—Could the senator just finish the list in case there is something from Centrelink?

CHAIR—I am sorry.

Senator MARK BISHOP—And then in outcome 2, I have matters on Commonwealth-state housing agreement; output group 2.1, housing support; output group 2.2, community support—stronger families and community strategy program roll-out. Then in outcome 3, I have matters on output group 3.1, labour market assistance—Australians Working Together; and output group 3.2, support for people with a disability—the Commonwealth-state disability agreement. They are the matters I am going to be pursuing, Madam Chair. I presume some of those latter ones are Centrelink—no? All right.

CHAIR—Ms Vardon, you are obviously deciding who needs to stay and who needs to go?

Ms Vardon—Yes.

Senator MARK BISHOP—How many families in total claimed the family tax benefit in respect of the year 2000-01?

Senator Vanstone—That is A and B together?

Senator MARK BISHOP—Yes.

Mr Henry—That is a figure we would have to take on notice.

Senator Vanstone—Some got both.

Mr Henry—Some people would have gone on and off benefit. We can always provide you with a figure at a particular point in time, but as for the number of people who flowed in and out of the benefit over the year, if you are asking for the number of people at the end of the year, it is a little over 1.8 million customers in total.

Senator MARK BISHOP—So at the end of the 2001 financial year, there were about 1.8 million customers receiving family tax benefit A and B.

Mr Henry—A and/or B, Senator. The great bulk of our customers who get family tax benefit part B also receive part A, but there are many people who get A who do not get B.

Senator MARK BISHOP—Could you take the other question on notice—the total number of families for the financial year.

Mr Henry—It will take us some time but we will find it, Senator, and look at the stock flow.

Senator MARK BISHOP—How many families claimed their payments fortnightly?

Mr Henry—That is the same figure. Essentially, Centrelink payments are fortnightly payments of family tax benefit. Perhaps Mr Tidswell has more to add on that one.

Mr Tidswell—The latest figure that we have for the family tax benefit population, as of 8 February, was 1.841 million families.

Senator MARK BISHOP—Do they all get paid fortnightly?

Mr Tidswell—That is correct, from Centrelink.

Senator MARK BISHOP—How many families choose to claim their payments through the tax system as either (a) a lump sum or (b) tax instalment reductions?

Mr Henry—As I indicated earlier, we do not have a number on that. I expect it would be several hundred thousand. It is a question we would really have to take on notice and ask Tax. It is implied in the question you asked earlier where we said we would look at it with Tax.

Senator MARK BISHOP—Do you have a ballpark figure?

Mr Henry—It would be a couple of hundred thousand.

Senator MARK BISHOP—Will you take that on notice?

Mr Henry—We will.

Senator MARK BISHOP—Do you have the total value of the family tax benefit payments claimed through the respective payments methods?

Mr Henry—Our total value this year is the $10.722 billion in fortnightly payments by Centrelink that is represented in the additional estimates. There would be some hundreds of millions of dollars more in the tax system. I would rather take that on notice and get a detailed figure for you from them about how much they currently have in their estimates on the tax side but it would be of the order of $400 million or $500 million, I would think.

Senator MARK BISHOP—Could you take that on notice and give me the proper figure in due course. I want to talk about the negative adjustments, the overpayments and debts. I have a series of questions. I would ask you at this stage to disregard for the moment the $1,000 waiver announced by the government. If you disregard for the moment that $1,000 waiver, how many overpayments in relation to the family tax benefit have been detected through the reconciliation process?

Mr Henry—There have been 535,000, Senator.

Senator MARK BISHOP—How far progressed is the reconciliation process as a proportion of all families who you would expect to be subject to reconciliation?

Mr Henry—It is hard to say exactly; the point being that we have now reconciled getting on for 1.4 million customers—1,370,000, if you wanted an exact figure. There are more to be reconciled but quite a number of the remaining customers do not need to lodge a tax return and will not need to be reconciled. It is actually quite difficult to do an extrapolation of what might be a final expectation. It really is a bit in the realm of conjecture. However, it is certain that the very great majority of them have already been identified. The practice of our customers was that there were a great number of people who put their estimates in in September-October to meet the October cut-off deadline for tax lodgment. At the current time the number of extra people going through the system is actually not all that large. We expect some larger flurry when tax agents lodge, which I think is a March or April deadline.

Senator MARK BISHOP—You said at the outset that you had about 1.8 million recipients and you have now reconciled roughly 1.4 million. That is approaching 90 per cent as a rule of thumb. When do you expect all the reconciliations to be completed?

Mr Henry—I might defer to Mr Tidswell from Centrelink.

Mr Tidswell—We would expect that on 30 June this year the curtain will come down for the 2000-01 financial year.

Senator MARK BISHOP—That is the end of the financial year. Is that your target date to have this operation concluded?

Mr Tidswell—It is up to families to lodge their tax returns, deal with their tax agents and go forward in that manner. It is largely driven by them, not by us.

Senator MARK BISHOP—I understand that point.

Mr Tidswell—Our target is to have all this for 2000-01 completed by 30 June this year.

Senator MARK BISHOP—In relation to overpayments what is the total dollar value?

Mr Henry—It is $426 million. That is without the waiver. And that is counting every overpayment of $1 or more as an overpayment, down to the last dollar.

Senator MARK BISHOP—What is the average value of the overpayments?

Mr Henry—The average overpayment value without the waiver is $796.

Senator Vanstone—Can I interpose there. I do not know that they are terribly helpful figures. The advice I have is that we have got some families, if you take a fortnightly payment for them and extrapolate it out over the year, receiving $30,000 and in the upper $40,000 in benefits. There are only a few at the top end but there are those receiving around $20,000 or $30,000. It is much easier for them to accrue an overpayment compared to a family that has one or two children and is on a fairly high income, who would be receiving a very small amount. In other words, the range of families and their circumstances are so diverse and the payments are basically affected by income and the number of children, so that an average becomes pretty useless for any meaningful discussion.

Senator MARK BISHOP—I think there is a bit of truth in that comment. It is just the nature of families these days, the flexibility of people going into and out of the work force, the role of second partners—these things make the variables so difficult.

Senator Vanstone—It does not tell you, for example, the reason for the debt. Some of them would be where people were getting family tax benefit B and the lower income earner, who had not planned to go back into the work force, or who had planned only to go back for a bit, suddenly, near the end of the year—because otherwise we will know a lot earlier and they will not have such a substantial overpayment—lands a great job. That is going to happen.

That is entirely different from a family, for example, who is happy to be quoted in the paper as being very distressed at having a debt, without mentioning that it is $400 or $500 after the waiver, so it is a $1,500 debt in total, and without mentioning that they failed to tell Centrelink about a $30,000 or $40,000 payment during the year which pushed their income up to over $100,000. That would be included with someone who had not made a mistake but who had not thought they were going to have the opportunity to return to work. So you are going to get everyone included in the reasons for overpayments, whereas underpayments are a bit different. They are people who have overestimated their income, who have been unluckier during the year than they thought there were going to be and fortunately now have got top-ups. There are over 200,000 of those—207,000 or 208,000.

Senator MARK BISHOP—The range of families, the range of dependants and the range of benefits that are available to families tell me that, as a matter of logic, an average figure is going to have minimal utility. I accept that.

Senator Vanstone—I was making the point that there is a wide range in there, including a significant portion of people who go to the media—as an example—and say, 'I advised Centrelink of the change in my income.' That is not an untrue statement but it is not the whole truth. They had subsequent further changes to their income that they did not advise. There is a plethora of these people who, unfortunately, are happy to go public and tell the truth but not the whole truth.

Senator MARK BISHOP—That happens. Can you provide—on notice would be best—the distribution of these overpayments, say, in $100 bands?

Senator Vanstone—Geographically or in income bands?

Senator MARK BISHOP—No, the distribution of the overpayments.

Mr Sullivan—In size of overpayment?

Senator MARK BISHOP—Yes.

Mr Sullivan—In $100 bands?

Senator MARK BISHOP—Yes. Going back to the earlier discussion about 400,000 that was yet to be reconciled, Mr Tidswell, but which is to be done by 30 June this year, how many of these represent non-lodgments?

Mr Tidswell—We are not sure at this stage. We are working intensively with the Australian Taxation Office to work out the number of families who actually do not have to lodge, who the ATO has given permission not to lodge, so that we can confirm who they are and effectively then add to the list of the approximately 1.4 million who are reconciled thus far.

Senator MARK BISHOP—You do not have any idea at all at this stage?

Mr Tidswell—We would expect on latest advice around 200,000 of those will be automatically reconciled. We will not have to ask them to lodge a tax return. We will be writing to other families in April to advise them that they need to lodge a tax return to complete the reconciliation process.

Senator MARK BISHOP—If that is another 200,000 that do not have to go into the system, you really are well above 90 per cent in terms of reconciliation, so you have got a very exact sample—95 per cent. Going back to the overpayments—derived from the points you made, Minister—can you also provide an indication of what proportion of the overpayments can be attributed to certain events or family types? Does the system allow that?

Mr Henry—No.

Senator Vanstone—I can see one way that that might be difficult. We will do anything we can to help but take this family that I have in mind: they said they advised of an expected increase in income, which was true, but they neglected to advise of subsequent increases. How would you classify that?

Senator MARK BISHOP—Wouldn't that be an underestimation of earned income? I presume the second allowance you were referring to is earned income.

Senator Vanstone—I thought you wanted some breakdown as to what notification we had had.

Senator MARK BISHOP—No. I have left the discussion with Mr Tidswell. I am going back to the overpayments. I am trying to figure out how you attribute the various

overpayments—for example, underestimate of earned income, shared care, maintenance payments, dependent child earning more than permitted earnings, error by FAO or Centrelink.

Mr Henry—Essentially, with the exception of shared care, they are all about underestimation of income.

Senator MARK BISHOP—That is a general heading—underestimation of income.

Mr Henry—That is right. We can work with Mr Tidswell to look at it, but I think it would be extremely difficult to take out which part of underestimation of income for a family was the constituent element that you are talking about. Was it FTBA, FTBB, maintenance et cetera? I do not think the system would easily allow for us to make those distinctions.

Senator MARK BISHOP—We are talking some $426 million without the waiver. So in the context of the overall budget, it is not big. I accept that earlier point, but they are still serious sums of money that the government is spending. There is a fault in terms of the overpayments. I would have thought it would be a matter of absolute fascination to both the department and the minister to get the break up on all of the subsets of reasons. If I were the minister, I would want to know. Would you not want to know?

Mr Tidswell—We are looking at the results as we speak. The dilemma is that it is a rolling set of results, so that there are always people coming in and out in terms of the process. We are trying to get as much data as possible so that we can examine who got it right and who did not get it right and what lessons we can learn from that, who is most at risk from overpayment and target our strategies to those families. We will be doing as much as possible. What Mr Henry is suggesting is that it is not easily and readily available in the sort of format that you are describing.

Senator MARK BISHOP—Are you looking to develop that type of format within the system?

Mr Tidswell—Yes, we are. This is obviously the first year of operation of this new system. We are looking at all the sorts of data that we need to collect and the evidence that we need to find to work out what will be the best solution in future to run and administer the program.

Senator Vanstone—It is clear that the majority of people have not had much difficulty with this. There are people who do have some difficulty, and that has always been acknowledged. They fall into two categories. There are people who have variable incomes and the example of a woman who, because of the point in the 12-month period chooses to go back to work, earns sufficient income to disentitle the family to FTBB.

Senator MARK BISHOP—Variable and extra income.

Senator Vanstone—Variable income and income that was genuinely not expected at the time.

Senator MARK BISHOP—Mr Tidswell, we have got this problem. The system currently does not allow us to identify, in the degree of detail we might want, the causes of the overpayments. The department is doing work to set up a system that will deliver that information?

Mr Tidswell—At the moment, we are looking at all the data sets that we are getting in. It is still coming in to us. Our intention is to run the sort of data jobs that we need to get further information, and then use that as the basis to mount the sort of communication campaign and targeted approach to help families get it right.

Senator MARK BISHOP—We now have something in the order of 90 to 95 per cent sample size. It is only going to change on the margins by the end of the financial year.

Mr Henry—We believe so.

Senator MARK BISHOP—I believe it is a fair guess. So your sample size is almost exact. You would be able to do the work now, if it is a priority, to identify the various subsets.

Mr Henry—To be fair, you are asking a question about the absolute detail of the break up of that. We already know quite well where some of the overpayments are—and have actually been working on it. It is part of our strategies to look at the groups that are most at risk of having an overpayment. I had this discussion with Senator Evans at Senate estimates on the last occasion about which were the groups that were most liable or at risk to have an overpayment if they underestimated their income—and to work with them on it. I do not think that group will show us anything that we did not already know in terms of the groups at risk and the effort of dealing with them. Indeed, we have been doing that through some pretty strong communication programs over a period. We have been trying to deal with those groups, target those groups and assist them with their estimates.

Senator MARK BISHOP—Okay.

Mr Henry—We will, of course, look at these figures to try and refine to the greatest detail possible those particular categories, but I do not think it will tell us anything that we did not know.

Senator MARK BISHOP—No. That was my point: Mr Tidswell said, 'I cannot give you the information, Senator, because we're still getting data coming in.' Data is coming in, but the sample size is now 95 per cent, so we know where we are going. My question to you, Mr Henry—and excuse the request for repetition—is: what are the core events or family types that give rise to this problem?

Mr Henry—The main groups are overestimation of family income for that group of customers who are in the taper range—that is, less than maximum but more than base rate payment. With respect to that group of customers, which I think we have certainly identified in public before, it is looking particularly at the group of customers whose income is between $30,000 and $45,000 if they have two children, and as to changes in their family income, because it could affect their payments, because they are adjusted by 40c in the dollar. Before this system it was 30c in the dollar; it is now 30c in the dollar under this system and their payments are adjusted for additional income earned. It is adjusted at a lower rate than before tax reform—a substantially lower rate—but it still affects their payments if, for example, they are in that category and they underestimate their income. We have other customers that—

Senator MARK BISHOP—So what percentage would they be?

Mr Henry—I could not put an exact figure on it, but that would certainly be the largest single group. I think Mr Tidswell would agree with me. You asked me for the top four so I was mentioning the first one.

Senator Vanstone—If your income is so low that you are earning the maximum, you can have changes to your income and you are still under the level; you still get the maximum. On the other hand if you are up at the level where you are getting the minimum and you do not move out, you just stay on the minimum. It is the people in the bands that get affected.

Mr Henry—That group have been advantaged very substantially by the change in the taper rates compared to the period before, but they still are subject to taper rates and that can affect their payments. The second largest group is the group of people under family tax benefit part B who are in the same situation. Family tax benefit part B is income tested on the second income earner. It is not income tested for sole parents; it is for partnered parents. It is tested on the income of the second income earner—the lower income earner. Again, if their

income changes between $1,679—I think that is the figure—and $8,000 to $10,000, they also can have their payment affected.

Senator MARK BISHOP—That is the income of the second partner?

Mr Henry—Yes. This has all been made clear in numbers of previous communications. Indeed, I think we canvassed it in previous Senate estimates.

Senator MARK BISHOP—The third group?

Mr Henry—I might have to turn to Mr Tidswell. They are the two major contributors. After that, I would have said maintenance income is probably a third contributor. When people get lump sums of maintenance, it is fine if it is paid regularly; it is an issue if it is paid as a lump sum at some point in time. That can affect the payment. It is similar to one-off payments within the tax system: if you get a large lump sum in a particular year, it will affect you in that particular year.

Senator MARK BISHOP—And the fourth group?

Mr Henry—I think we have covered the great bulk. The other categories are all aspects of income.

Senator MARK BISHOP—Would those first three categories cover off about 85 per cent of that 535,000?

Mr Henry—Mr Tidswell and I would think they probably would.

Senator MARK BISHOP—Does that mean yes or no?

Senator Vanstone—It means he does not want you to come back at the next estimates if we have got the actual figures and say, 'You told us it was about 85 and it's only 82.5; what is the matter with you nitwits?' They are just trying to cover their backs because not everybody is as gentleman-like and as pleasant as yourself.

Senator MARK BISHOP—I would not say that. If I did say it I would say it privately. Broadly, are we talking about 85 per cent or 90 per cent of that 535,000?

Mr Tidswell—Broadly, I would agree with that assessment.

Senator Vanstone—If you ask a broad question you will get a broad answer.

Senator MARK BISHOP—If we take into account the impact of the $1,000 tolerance, how many debts for family tax benefit have been detected through the reconciliation process after the application of the $1,000 waiver?

Mr Henry—For family tax benefit, 146,000, Senator. That essentially means that the waiver has eliminated about three-quarters of the debt.

Senator MARK BISHOP—What is the total dollar value of family tax benefit debts which have been sought after the application of the $1,000 waiver?

Mr Henry—The amount that would still be recoverable is $152 million. If you are trying to do the calculation, the total amount waived is $274 million.

Senator MARK BISHOP—What is the average value of the residual family tax benefit debts.

Mr Henry—About $1,000—a little over $1,040. That is the residual amount of the people who still have a debt.

Senator MARK BISHOP—That is the average value of the residual amount of people who still have a debt.

Mr Henry—Yes. When you earlier asked me about the average overpayment amount, I gave you—which I think is what you were asking for—the average overpayment for those overpaid, which was $796, and the average residual amount for those above $1,000 waiver is $1,040-odd.

Senator MARK BISHOP—That is fine. On notice again, can you provide the distribution of these debts, again in $100 bands? Also, is that three-part break up you provided before, which we broadly agree covers 85 per cent or 90 per cent, the same break up for family types affected by the debts?

Mr Henry—Yes, Senator. I was answering a question about people who are affected by the debts. For the three categories, particularly for the first two categories, it has the same effect in relation to those who overestimated their income because they are the groups that also receive the top-ups, and there are $179 million worth of top-ups. The minister referred to 207,000 top-ups—so a value of $179 million.

Senator MARK BISHOP—Is there a breakdown available as to the number and amount of debts that are attributable to part A and part B?

Mr Henry—No, Senator.

Senator MARK BISHOP—Why is that? Once again it would be a fairly piece of information.

Mr Henry—We would give the same answer: we will study this but it is not possible on the system that is dealing with these payments—indeed it would be an interesting piece of design—to get that information. We can do—and I think, as Mr Tidswell said, is being done—studies of the results to look at which bit relates to what causal effect. It just is that this system simply adds up what you should have got, looks at what you were entitled to on your income, and looks at what you actually got, and if you got less than you should it pays you more and if you got more than you were entitled to on that income it looks for recovery—allowing, this year, for the application of the waiver. Whichever system you apply for is designed to get you what you are entitled to at that level of actual income. That is the rationale. Different families in the same situation would get the same amount.

Senator MARK BISHOP—Okay. So you cannot disaggregate that figure of $146,000 you gave me at the outset into A and B?

Mr Henry—No.

Mr Tidswell—That would be my advice as well. The way it comes to us is a lump of family tax benefit. Then if it is a top-up it is a top-up—

Senator MARK BISHOP—It comes to you not as an aggregated figure but as a total figure.

Mr Henry—Yes. Family tax benefit is family tax benefit for the purposes of legislation. It happens to have two parts, I agree.

Senator MARK BISHOP—That is okay. What has been the response from families concerning the debts? We understand that large numbers have attempted to contact the FAO call centres and this is causing delays. That is the advice that members of parliament from our side are getting, anyway.

Mr Tidswell—Since 14 January we have been sending out the overpayment letters to families and we have had a build-up in activity, probably two weeks after that date. A couple of days we had some very heavy call centre usage as people were ringing through.

Interestingly, the length of the call was one of the factors that caused some of the delays in answering calls, because we would tell people how their overpayment was arrived at—

Senator MARK BISHOP—Then they wanted to discuss it.

Mr Tidswell—explain how they needed to pay it back, and then talk to them about getting their estimate up to date at this point in time. So those calls took longer. I have listened to a number of those calls. Sure, some people are not all that pleased, but people have understood the correspondence we have sent them in terms of the letters and they are responding accordingly, taking the necessary arrangements and then starting to think about fixing it for this financial year so they are not in the same position for next year.

Senator MARK BISHOP—How many contacts have you received?

Mr Tidswell—I would have to take that on notice. I think on the big days we were having about 200,000 call attempts.

Ms Vardon—That includes free dials to Centrelink. That does not necessarily mean 200,000 people were trying to ring—

Senator MARK BISHOP—Yes, call attempts.

Senator Vanstone—Yes. You get an engaged signal, you think, 'Oh, well, I will get a cup of coffee and try again.' I am not trying to be critical of what you are asking. I just point out that the call centres do provide a fabulous service, really, because you can get a lot of information over the phone. We would be happy for you to go and look at one of these, if you like, and see the—

Senator MARK BISHOP—I am not being critical of the call centres.

Senator Vanstone—I know you are not. I am actually trying to tell you how good they are. I am trying to sing an advertisement for Centrelink rather than attack you.

Senator MARK BISHOP—Take it as read.

Senator Vanstone—Don't be so paranoid. Let me just tell you. They do a fabulous job. I have sat in on a number of these calls. People can ring up and they will be a bit tense in the beginning. The operaters are extremely well trained, very calm. But just think about it: if you were a female and you had three kids, say under seven, it would be a hell of a lot easier for you to be at home and ringing up intermittently, and getting an engaged signal and hanging up, than having to pile the kids in the car and go down to the Centrelink and perhaps make a journey out that you were not expecting to make that day—even more so if you did not have a car for yourself. So the redials boost the numbers calling up, but I think they prove that people want to do it by phone rather than coming out. That is all.

Senator MARK BISHOP—That is all right.

Senator Vanstone—It was a genuine friendly offer. You can go and look at a call centre.

Senator MARK BISHOP—Thank you for that. I am just thinking through what you told me, Mr Tidswell. The letters went out from 14 January. You started to get serious attention, say, a fortnight afterwards. There has probably been something in the order of 10 working days since then, a couple more perhaps. But 200,000 call attempts per day for 146,000 debts is a heap of attempts, isn't it?

Mr Tidswell—I think that was just two days. On the rest of the days we have been able to handle most of the calls, I think on average answering about 40,000 calls a day and completing the business we need to do. The busy rates have dropped significantly in the last two to three weeks.

Senator MARK BISHOP—Okay. What is the aggregate number of calls in working days?

Mr Tidswell—We would have to take that on notice.

Ms Vardon—Senator, on the families queue year to date we have successfully answered 1,711,830 calls. The demand over that time was 1,961,770. So there were 200,000 in the year to date that did not get through on their first attempts. We have actually successfully reconciled—

Senator MARK BISHOP—That 'year to date': is that the figure Mr Tidswell is talking about—post 14 January?

Ms Vardon—No. This would be the whole of the time. But there were a lot of family calls, though, in this year.

Senator MARK BISHOP—My comments were limited to calls post 14 January, after you posted the letters.

Mr Tidswell—We can certainly take that on notice and get back to you.

Senator MARK BISHOP—So there has been a really huge response, hasn't there?

Mr Tidswell—And we want a huge response, so families get in contact with us, get it sorted out, make their repayment arrangements, and then fix up or update their current year estimates so that it is fixed for this financial year.

Senator MARK BISHOP—In fact, I may be almost bold to suggest that if there are 146,000 debts and you have had something in the order of 700,000 or 800,000 call attempts, which you have—two by 200,000 and the rest by 40,000—you are getting a very high percentage of the debts contacting the—

Mr Tidswell—Yes, but you would need to realise there is also a lot of seasonal activity in January. We have a lot of people with kids going back to school so they are applying for child care and sorting out after school care and before school arrangements. We have a lot of other seasonal factors. Everybody is back at school and people ringing in and getting things fixed up, so there is a lot of ongoing base business there as well.

Senator Vanstone—And also I am told that whenever information goes out, whether it is about an overpayment or a letter that is just confirming something, there are significant numbers of people who read the letter, understand the letter, do not disagree with the content of the letter, and nonetheless ring the call centre to confirm that the letter says what they think it did.

Senator MARK BISHOP—That is right. That is my experience, yes.

Senator Vanstone—But then there are the calls where there is a genuine concern and they are the ones we have taken more time with.

Senator MARK BISHOP—Yes. Ms Vardon, going back to those statistics you had there, can you tell us now how many families have called the centres over the last nine months on a month by month basis? Do you have those figures?

Ms Vardon—I haven't got it month by month. I can easily get it for you because the call centres keep absolutely accurate statistics on a daily basis.

Senator MARK BISHOP—If you don't mind doing that.

Ms Vardon—I am happy to take it on notice and give it to you.

Senator MARK BISHOP—Thank you. Can you also provide statistics on the proportion of callers month by month., if you can, getting a busy signal, hanging up whilst on a queue, and successfully getting through, and provide statistics on the average time on hold.

Ms Vardon—Yes.

Senator MARK BISHOP—How many families have indicated they would like to appeal their debts?

Mr Tidswell—We do not have those figures at this point in time because the letters went out on 14 January. We do know that some people are proceeding to the normal appeal provisions, but we do not have any data.

Senator MARK BISHOP—What did your forward planning suggest?

Mr Tidswell—I cannot recall off the top of my head about what we expected. There would be a formula in respect of the number of overpayments and percentage of appeals. I just do not have that on me.

Senator MARK BISHOP—But you did do some preliminary work on that?

Mr Tidswell—We did some preliminary work to work out staffing requirements throughout the organisation for the impact of these overpayment letters.

Senator MARK BISHOP—There would not be any appeals having been processed as yet, would there?

Mr Tidswell—That is my understanding: none have been processed as yet.

Senator MARK BISHOP—What is the time frame involved after lodgment?

Ms Vardon—Of an appeal? It depends to whom they appeal.

Senator MARK BISHOP—First step.

Ms Vardon—The appeal system goes through a hierarchy. They go back to the original decision maker. I will give you an example of that in a moment. Then it goes to an authorised review officer, if they want a second opinion, and then after the authorised review officer they can go to the SSAT, the Social Security Appeals Tribunal, and then the AAT.

Senator MARK BISHOP—Right. Four steps.

Ms Vardon—I could give you an example of a person who, in a sense, appealed. We had a woman come into one of our offices in Campbelltown, in Sydney, to appeal her claim with the original decision maker. The original decision maker showed her her record and said, 'This is what you said.' She said, 'I would not have said that.' The decision maker said, 'Yes, you did say that.' She said, 'No, I did not say that. I could not possibly have given you that estimate of my income.' So the original decision maker went back to the records, went through all of our batches of files and found her original application, where it was clear that she had actually given that estimate. She showed it to her and the lady said, 'I would never have filled it in like that.' She had clearly filled it in, but she had not remembered it. So the appeal was done: she came in and she objected very strongly and we were able to show her that. We would hope that—

Senator MARK BISHOP—She presumably withdrew her appeal after that?

Ms Vardon—Yes, she did. She went out angrily because I think she was frustrated with herself as much as anything else. We would rigorously go through and explain to everybody how that decision was made when they came in, at the first level of appeal. I hope that we will get rid of most of the appeals by that good application. In general, people appeal for two

reasons: firstly, they do not like the way we gave them the service and, secondly, they disagree with the decision. Our family teams have done a really fantastic job of calmly talking to people who, for the first time, are having this experience. This is a whole new way of handling their money and our family teams have been very well trained in being calm and gentle with people. What we wanted to do was remove as many of the appeals as possible about how it was done. We have had very good feedback on the letters—people have found them very clear—so we are quite satisfied that that process has been as respectful as it possibly can be. If they then choose to appeal because they think we have done the calculations wrongly, then they of course go back to the line of appeal that I explained to you.

Senator MARK BISHOP—I turn now to positive adjustments—top-up payments. How many positive adjustments to the FTB have been paid to date?

Mr Henry—There have been 207,000, at an average top-up of $864, and the total top-up amount paid thus far is $179 million.

Senator MARK BISHOP—Can you provide, also on notice, the distribution of these top-ups, again in $100 bands?

Mr Henry—I believe we can, and we will.

Senator MARK BISHOP—This is the same question as before; tell me if the answer is no again. Is there a breakdown available as to the number and amount of top-up payments that are attributable to part A and part B?

Mr Henry—No. It is symmetrical; they are the same groups—

Senator MARK BISHOP—Understood. I have it on the record. In 2000-01, how many families claimed the child-care benefit as a fee reduction on a fortnightly basis?

Mr Popple—As Mr Henry indicated, we are still reconciling that. We think it is around 620,000 families.

Senator MARK BISHOP—Around 620,000, but you are still reconciling it?

Mr Popple—Yes, we are still reconciling it, but we believe it is around 620,000. There are also some who will claim it as a lump sum at the end of the financial year, and obviously they still have the opportunity to do that.

Senator MARK BISHOP—Do you have any idea how many decided to claim the CCB as a lump sum through the tax system?

Mr Popple—You do not claim through the tax system. You make a separate claim to the Family Assistance Office; it is not part of the tax system. There have been about 12,000 claims so far. I am uncertain how many of those have been successful, but there have been about 12,000, and they have until the end of the financial year to lodge a claim.

Senator MARK BISHOP—They have until the end of the 2002 financial year to claim for the 2001 financial year?

Mr Popple—Yes.

Senator MARK BISHOP—Has the application rate started to taper off?

Mr Popple—No, not really. It has tapered off a little bit, but the lodgment rate has never been particularly dramatic.

Senator MARK BISHOP—What is the average number of monthly applications for a lump sum?

Mr Popple—I would have to take that on notice. We have done some work over the last couple of months, trying to promote lump sums and remind people to put their claims in, and we are hoping that will have some effect.

Senator MARK BISHOP—There would be enormous savings from a lump sum, wouldn't there?

Mr Popple—Most of them are for minimum rate payments. They are probably only about the $1,000 mark. Most people who get more than the minimum rate would take it as reduced fees during the year.

Senator MARK BISHOP—There would be significant administrative savings from a lump sum. That is what I meant. Do you have the total value of the CCB claimed through each of these payment methods?

Mr Popple—Yes. As I said, we only have the figures to date for the lump sums. We have had 12,000 claims and all the rest are reduced fees. I can get you, on notice, the value of those lump sum claims if you wish.

Senator MARK BISHOP—No, through both of the payment methods—through the fee reduction on a fortnightly basis and the lump sum, the total value of the child-care benefit.

Mr Popple—Yes. As it appeared in the budget papers, for this year it is about $1.186 billion that we anticipate in CCB.

Senator MARK BISHOP—Is it $1.186 billion as per the budget papers?

Mr Popple—Yes.

Senator MARK BISHOP—Disregarding, for the moment, the $1,000 waiver announced by the government, how many overpayments in relation to child-care benefit have been detected through the reconciliation process?

Mr Popple—About 130,000.

Senator MARK BISHOP—How far progressed is the reconciliation for the child-care benefit, as a proportion of all families? Is it 80 per cent, 90 per cent?

Mr Popple—Yes, a bit over 80 to 90 per cent. We expect about another 160,000.

Senator MARK BISHOP—Did you say between 80 and 90 per cent?

Mr Popple—Yes. As Mr Henry has answered, we are basically waiting on income information but also a little bit of usage information from the services. The vast majority is income tax information.

Senator MARK BISHOP—When are the child-care benefit notices on overpayments due to be posted?

Mr Popple—They have been posted.

Senator MARK BISHOP—When were they posted?

Ms Babbage—All the overpayment letters for those who had an overpayment after the waiver went out between 14 January and the end of January.

Senator MARK BISHOP—Between 14 January and the end of January?

Ms Babbage—Yes.

Senator MARK BISHOP—Are they all done now?

Ms Babbage—Yes.

Mr Popple—Apart from the new ones which come up through the reconciliation process, of course.

Senator MARK BISHOP—In relation to these overpayments, what is the total dollar value?

Mr Popple—It is $32 million.

Senator MARK BISHOP—What is the average value of the overpayments?

Mr Popple—It is $243.

Senator MARK BISHOP—Can you provide, also on notice, the distribution of these overpayments in $50 bands?

Mr Popple—Yes. The vast majority of the CCB debts—something like 50,000—actually involve less than $50. But if we can, we will do it for you in $50 bands. Most of them are very small debts.

Senator Vanstone—That is an example of where the media, I am sure unintentionally, can mislead the community because of the sort of publicity that is given to cases where there has been a significant overpayment. I am talking now particularly in relation to FTB, but the same would apply if some of them roll their debts together. The advice I have got is that, before the waiver, about half of these were under $300. I bet if you go and ask someone, after they have read one of the News Ltd papers, whether they think people have thousands of dollars worth of debt, the answer would be 'Yes.' In fact, the advice I have got is that about half are under $300. If you want to look at those that are over $3,000, for example, it is about three per cent of the combined debts before the waiver.

So you are talking about a small proportion of families but, as I have indicated to you, lots of families have lots of children and put in low incomes. I will give you an example which might be a useful one, which shows how a family can put in an estimate of their income based on the fact that they do not think she is going to get any work at all; it turns out that she gets quite a lot of work and they therefore end up with a debt. I will ask you to take it at face value and I will give you some examples—obviously without the names—to demonstrate what happens when you get a family who does not update their income: one of them was not going to work or one of them ends up doubling the income they said they were going to earn. They are the ones who are up at the higher end—as I say, about half are under $300.

Senator MARK BISHOP—I am just thinking about what you are saying, Minister, and what the officials said. The total value of the overpayments is $32 million. The average value of the overpayments is $243 but the overwhelming bulk are less than $50, according to the officials—

Senator Vanstone—He is talking about just CCB there.

Senator MARK BISHOP—I am only talking about CCB. There were 130,000 overpayments detected through the reconciliation process. So if the average was $243, you must have had a significant minority of high overpayments.

Senator Vanstone—How can you have a 'significant minority'? That is like saying someone is stupidly serious!

Senator MARK BISHOP—No, it is not. You can have a minority of one per cent or a minority of 20 per cent; they are both a minority.

Senator Vanstone—I see.

Senator MARK BISHOP—With a total value of overpayments of $32 million, an average overpayment value of $243 and the vast bulk involving less than $50, that suggests to me there must be a significant number of high overpayments to bring up the average. How many do we have in that range, Mr Henry?

Mr Henry—Senator, you are talking about CCB. I think that is really a question for Mr Popple.

Mr Popple—Ninety-six per cent of the debts were under $1,000.

Senator MARK BISHOP—And how many were less than $100?

Mr Popple—I will have to take that on notice, Senator.

Senator MARK BISHOP—Give us those $50 bands; that will cover the answer to that. Taking into account the impact of the $1,000 tolerance, how many debts for the child-care benefit have been detected through the reconciliation process after the application of the $1,000 waiver?

Mr Popple—Six thousand.

Senator MARK BISHOP—What is the total value of CCB debts which have been sought after the application of the $1,000 waiver?

Mr Popple—There is $5 million still to be recovered. We waived $27 million worth of debts.

Senator MARK BISHOP—So it is $5 million?

Mr Popple—Yes.

Senator MARK BISHOP—What is the average value of that residual CCB debt?

Mr Popple—$800.

Senator MARK BISHOP—Can you also provide on notice the distribution of the CCB debts in $100 bands?

Mr Popple—Yes.

Senator MARK BISHOP—Mr Popple, were you here when we had that discussion with Mr Henry about the reasons for the break-up? In relation to the family tax benefit, it was overestimation of income, 30- to 45-year-olds with two children and the family tax benefit being income tested. Were you here when we had that discussion?

Mr Popple—Yes, Senator.

Senator MARK BISHOP—Can you provide an indication of what family types are affected by the debts in this area—the CCB?

Mr Popple—It is basically similar to what Mr Henry said. It is those families who are on the taper ranges. It is the families who are receiving somewhere between the maximum and the minimum rate of child-care benefit who are the most likely to have a debt.

Senator MARK BISHOP—Can you say that again? 'Families who are receiving somewhere between the maximum and the minimum'—that is all they can receive.

Senator Vanstone—In the taper period that we discussed earlier. We were agreeing that, if you got an income under the minimum, it does not matter because you just keep getting the minimum. If you are up in the other area, it does not matter. It is families in that middle point.

Senator MARK BISHOP—So they are the overwhelming bulk?

Mr Popple—Yes.

Senator MARK BISHOP—Do you have any indication of how many families have indicated that they would like to appeal their debts?

Mr Popple—No, Senator.

Senator MARK BISHOP—You do not know?

Mr Popple—No.

Senator MARK BISHOP—So there is no indication?

Mr Popple—No.

Senator MARK BISHOP—In terms of the positive adjustments, the top-up payments, how many top-ups have been paid to date?

Mr Popple—One hundred and six thousand.

Senator MARK BISHOP—What is the total value of the top-up payments paid to date?

Mr Popple—$15 million.

Senator MARK BISHOP—Can you provide on notice a distribution of these top-ups in $100 bands?

Mr Popple—Yes.

Senator MARK BISHOP—I want to go through a line of questions on the decision making process for Centrelink and FACS officers responsible for the administration of the FTB. I note in passing that the questions require officials to cast their minds back to the announcement of the $1,000 tolerance by the government effective from, I think, 1 July last year. Had the department anticipated the problems inherent with shifting to a family payment system based on income estimates?

Mr Henry—Yes. I do not know whether 'problems' is the right word. From the original point where the policy was approved, it has always been a part of this. If people underestimated their income and got more than they were entitled to, it would be recovered and, if they overestimated their income and got less than they were entitled to, they would be topped up, which was not a feature of the previous system.

Senator MARK BISHOP—That was open and everyone knew that, didn't they?

Mr Henry—Yes. It has been part of the design feature that this would be the case. I looked at our communications with families just to remind myself of when it was said. All the communications with families point out this aspect of the system. *More help for families* was sent out in early 2000. *Family Buzz* was sent in December 2000.

Senator MARK BISHOP—I have some of the literature here, so I have seen the list.

Mr Henry—The real question is about customer estimating behaviour and how many overpayments and how many top-ups there might be in a system over time. We certainly had focused on that question to try to accrue information, and we included our Centrelink colleagues. We were looking very hard and in a very detailed way at this as time went on. Of course you consecutively accrue information about estimating behaviour. We had drawn further attention between ourselves to this in the later part of the year 2000 and into 2001. We continued to try to accrue information on what likely outcome there might be when the reconciliation process for the first year family tax benefit and the first year child-care benefit cut in after July 2000. It has certainly been an anticipated issue and concern about trying to focus on and estimate the number of customers who would be underestimating and

overestimating their income. Certainly it is an anticipated issue from the late part of 2000-2001, trying to accrue further information and provide information on what likely outcomes there might be.

Senator MARK BISHOP—When this system was designed, going right back to the beginning of this income estimation system as a critical design feature, you say that in such a system it is implicit that there will be overs and unders?

Mr Popple—Yes.

Senator MARK BISHOP—So the system was built on that premise. At that time, did you have in your minds an assessment of the number of overs and unders?

Mr Henry—This predates most of us around this table, but I have looked at that issue, as has Mr Popple. What appears to have been the implicit assumption was that customer estimation behaviour would be perfectly symmetrical and therefore we would get as many overpayments as under payments. That is the implicit assumption that I could draw from the way it was seen.

Senator MARK BISHOP—There was an equilibrium built into it?

Mr Henry—An equilibrium effect, yes.

Senator MARK BISHOP—And that has not proven to be the case, has it?

Mr Henry—No, it has not. There are lots of top-ups in the system. For child-care benefit, the equilibrium effect is closer than for family tax benefit.

Senator MARK BISHOP—So the design feature was based on an equilibrium assumption—

Mr Henry—An implicit equilibrium assumption, because no provision was made for an excess of top-ups over overpayments or overpayments over top-ups.

Senator MARK BISHOP—When did the department first become aware that its premise of an equilibrium model was in error?

Mr Popple—I will make the point that the design of the system was actually done as part of the tax reform implementation process. It was not necessarily designed by the department.

Senator MARK BISHOP—Was it the design of Treasury?

Mr Henry—It was the design of the tax reform task force.

Senator MARK BISHOP—In which you had a representative?

Mr Henry—Yes.

Mr Popple—Seconded to Treasury.

Senator MARK BISHOP—So you were consulted from the outset?

Mr Popple—Yes, we provided input for a member of the task force.

Senator MARK BISHOP—There was a representative from the department on the task force from the outset, and the department or its representative at that stage did not appreciate the consequence of that equilibrium balancing system. My question is—and I am not into blaming you or Treasury or whoever it was on the task force: when did you first become aware of that design fault, or the effects of that design fault?

Mr Henry—I am not sure. We became more and more concerned from the end of the financial year 2000-01. We became more and more concerned about the potential for the customer estimating behaviour to skew results one way or another.

Senator MARK BISHOP—Towards the end of financial year—

Mr Henry—No, towards the end of 2000.

Senator MARK BISHOP—Financial year or calendar year?

Mr Henry—Calendar year.

Senator MARK BISHOP—End of calendar year 2000?

Mr Henry—Yes, towards the end of that year.

Mr Popple—It might be worth while reflecting on the purpose of the estimating system. The family tax benefit and the child-care benefit payments are designed to deliver equal outcomes regardless of delivery method. Regardless of whether you are going through the tax system and getting your FTB through the tax system or whether you are receiving it as a fortnightly payment or whether you are receiving your CCB as a lump sum or as a fortnightly payment, the idea is that everyone gets exactly the same payment regardless of the delivery method. That means that the people who receive it through the tax system are doing it on the basis of actual income during that year and have to estimate in order to get it. I am not quite certain whether the 20 per cent or 30 per cent of overpayments are as a result of a design fault. The design is actually to achieve the exact entitlement regardless of how you choose to receive your payment. That is the principal design feature of it. Mr Henry is indicating that we might have had some assumptions about that earlier on but that they changed as we went along. The overall design feature, which is equity of payment, remains.

Senator Vanstone—Quite often when media people are asking in a radio interview where time is of the essence and they want a short form answer they will proposition that this system is flawed. They are assisted by some of your colleagues who are out telling them that. It depends what you mean by flawed. If you mean is it a system where you cannot get 100 per cent of your people on exactly the right payment, you will get one answer. I say to these people is we could design a system where everybody got exactly the right amount. We would pay them on last year's income. Then we might have a situation where in the year before, for example, another child is added to the family—this would not be all families; we are not talking about new children but a lot of them we are. The mother would probably still be in the work force. Women do not leave the work force now three months before they are having a baby. They have cottoned on to that lock out. They now only leave soon before as they choose to do so. What would happen? If we paid it on last year's income estimate—because we say that is final and settled and we will know and there will be no doubt—which would be a higher income, they would get a lower payment in exactly the year when they would not want a lower payment because the mother has left the work force.

There is another way to do it to make it nice and simple: we can pay everybody the same. I would like to see somebody endorse that as a proposition, to pay wealthier people the same as you pay lower income people. Then you come to a proposition that we would like to pay you what you need in a year that you are in because that would be particularly helpful to the ones that have got new children and the mother is still out of the work force; we would like to acknowledge the different income levels and pay people on lower incomes more; and we would like to give you a choice as to whether you take it at the end of the year or fortnightly. There is no other way to do those three things than the way we are doing it.

That has a consequence, I would described it as, rather than a flaw. The consequence is that, I believe, we had to shift to top-ups which were not in the system before, but that means there are some repayments. But in that way you get exactly the equity that was referred to before: any family on the same income and in the same circumstances in that year will end up

getting the same amount. The people for whom it is difficult—we have already canvassed this—are the ones who have widely variable incomes and especially if the wide variation puts them near the end of the year up into that taper zone because there is a 30 per cent taper. But we are talking about a small portion here. Over half of these were combined debts under $300 compared to people who are getting $5,000, $10,000, $15,000, $20,000 or $30,000 in payments. This is not terribly significant.

Senator Cooney—even though you are not in a dress and not wearing lipstick, so you are not Senator Denman—we will come to you. I do not accept that the system is flawed. I think that is a pejorative term about a system that is designed to acknowledge the income in the year that you need it, to give you the choice of taking it as an annual payment or fortnightly and to pay you the same at the end of that year as another family in the same circumstances. I think it is a good system. It has a consequence of requiring top-ups and repayments.

Senator MARK BISHOP—You refer to it as a consequence requiring top-ups and repayments and the officials say that is an essential design feature of the system, and I accept that. What we are discussing is the scale, which you refer to as a consequence and I am coming to the view is a flaw.

Senator Vanstone—You are entitled to the view. I just did not want to accept prima facie that everyone else accepted that.

Senator MARK BISHOP—I understand your argument.

Senator Vanstone—I would be interested to hear a different system. If people think it is a flaw and it is a necessary design consequence of wanting to do those things, what would people—

Senator MARK BISHOP—If we had had this discussion two years ago before we had the wisdom of what has occurred over the last 12 months, you would not have said to me that there would be any untoward consequences—the equilibrium point will be fine and there will be no other problems.

Senator Vanstone—I do not think you can say that.

Senator MARK BISHOP—That would have been the advice from the officials.

Senator Vanstone—You can go back and assess what their advice would be, but I think they would have said to you, 'You'll have some overpayments and some top-ups.'

Senator MARK BISHOP—They would have said that and they would have said, 'But, Senator, they'll balance out. That is an essential design feature, so you won't have the scale of problems that have emerged.'

Mr Sullivan—I think it was an implicit understanding, not a design feature. How can you design customer behaviour? You cannot. It was dependent, as the minister put to you, on an understanding in its design that a fortnightly payment, linked to an annual taxable income test, would always see variation. That variation could only be minimised by perfect client behaviour, if you like, in terms of every variation of income being passed through that system.

Senator MARK BISHOP—And we have neither perfect nor balanced client behaviour in this area or in any area.

Mr Sullivan—The major learning from that behaviour and the major response to that learning is to attempt to educate and to reinforce the need for moving your income estimates regularly. Centrelink have now made the information available via the telephone and the Internet. You will be engaged on this topic if you ring the call centre on another matter,

basically so that we can reinforce the idea that this thing works best if we know your income. We are starting to see an increase in volume of income estimate variations.

Senator COONEY—For the system to work, you have got to have some sensitivity in the administrators. I am sure you have sensitivity, Mr Sullivan, from past knowledge. Do you have any comment on that, that the system itself has to be sympathetic? When I saw you and the minister here, I could not resist dropping by to ask a question. Do you agree with that too, Minister?

Senator Vanstone—What did you want to see that I agreed with?

Senator COONEY—I thought you would have listened when I was asking about the question. I was asking about sensitivity.

Senator Vanstone—We are very sensitive here, Senator.

Senator COONEY—It is a serious question.

Mr Sullivan—The sensitivities are in the marginal rates of income tax, understanding your income. If we are relying on an annual assessment of taxation, we cannot build another sensitivity test into it unless you want to skew it and say, 'Based on your estimate of income you should be receiving a fortnightly payment of X dollars, but our knowledge is that the whole population does not get this right so we will inflate your estimate by a degree or two or three.' That would be unfair, because 46 per cent of family tax benefit recipients receive a nil adjustment. They get it right. To build in a sensitivity to everyone would have resulted in saying at the end of the year, 'We have a lot of top-ups to pay to people who need the money.'

Senator MARK BISHOP—Mr Henry, you said that the department became aware of the problem towards December 2000. How long did you monitor that problem before you gave formal advice to the minister's office?

Mr Henry—Advice on the potential issue was part of the incoming government minister's brief. You will have to forgive me, Minister, I think it was January that you took up office in the portfolio. It had been around; we were continuing to study it and look at it, and we were concerned about it as a potential issue.

Senator MARK BISHOP—You think that was around January 2001?

Mr Henry—If I recall, that was about the time, yes.

Ms McKay—We alerted ministers to the potential for overpayments and underpayments in November 2000. And we did, as Mr Henry indicated, provide advice in the incoming minister's briefing to alert Senator Vanstone, when she came in as minister, of the nature of this particular payment: that there would be overpayments and underpayments resulting in recoveries and top ups.

Senator MARK BISHOP—Who was the minister's predecessor in this area?

Ms McKay—Senator Newman.

Senator MARK BISHOP—When had you advised Senator Newman?

Ms McKay—We provided progressive advice from around November 2000.

Senator MARK BISHOP—What was the nature of that advice?

Ms McKay—It was to alert the minister to the fact that there could be a number of overpayments resulting from reconciliation. You asked about the nature of the problem; it is actually not possible to identify what the size of a problem is going to be—except empirically, after the event. You can only project what it might be in theory. You could have a lot of top

ups or you could have a lot of overpayments, but it is a question of scale. It is not just a question of the number of customers; it is a question of the size of the variations in their income estimates. Debts of less than $50 are of a different category to debts in excess of $1,000.

Senator MARK BISHOP—You alerted Minister Newman and you alerted Minister Vanstone as to this emerging problem. Did your advice relate just to the fact that there was a problem, or did your advice relate to the design of the scheme that gave rise to the problem?

Ms McKay—Our advice was information in relation to the design of the scheme. We could not describe it as an emerging problem until problems began to emerge in an empirical sense.

Senator MARK BISHOP—Say that again?

Ms McKay—You cannot say it is an emerging problem until problems emerge in an empirical sense—in practice. And that could only be established after people had begun to put in their tax returns and their family payments were reconciled.

Senator MARK BISHOP—I do not know if I want to engage in that debate. If your design feature is unders equals overs and from the outset you have a disproportionate number of either—and it appears that over time they are not going to balance as they are designed to do—that suggests to me that you do not have to wait to do your empirical analysis; you do have a real emerging problem.

Ms McKay—The only basis on which we could estimate what the number of overpayments would be was on our previous experience of family assistance prior to the introduction of the family tax benefit. We knew that there were about 44,000 overpayments under family assistance in the last year of family assistance, and that was the only basis on which we would be able to guess what might happen under family tax benefit. Because there was no provision for top ups under family assistance we did not have any basis for assessing what the size of the top-ups would be under family tax benefit.

Senator MARK BISHOP—From the department's point of view, what was the chronology of events in relation to handling and recovering the overpayments? How were they initially to be treated?

Ms McKay—I do not understand the question.

CHAIR—Do you have much more to go?

Senator MARK BISHOP—Yes, I have a lot more. I can come back after lunch.

CHAIR—Maybe we will let Ms McKay answer that one question.

Ms McKAY—I need clarification of the question. I do not know whether you are relating it to family assistance or to family tax benefit.

Senator MARK BISHOP—To family tax benefit.

Ms McKAY—Will you repeat the question for me, please?

Senator MARK BISHOP—From the department's point of view, what was going to be the chronology of events in relation to handling and recovering the overpayments? How were they initially to be treated?

Ms McKAY—Overpayments would be established as part of reconciliation. When customers put in their tax returns for the financial year 2000-01, which would be from July

onwards last year, we would establish whether people were entitled to top-ups or would have a debt. In the normal course of events, debts would be raised and top-ups would be paid.

Senator MARK BISHOP—Fine.

Proceedings suspended from 12.46 p.m. to 1.57 p.m.

Senator MARK BISHOP—Before the break, Ms McKay, we were just discussing the department's point of view. I think you had just made the point that in terms the way you were going to handle and recover the overpayments was to reconcile, adjust and raise the debt notice. I think that was the net of what you said, wasn't it?

Ms McKay—That was the way the system was designed.

Senator MARK BISHOP—All right then. Do you have a copy of the document 'FAO reconciliation impact assessment', dated 21 May 01?

Ms McKay—No, not with me. What is it?

Senator MARK BISHOP—Does anyone have a copy of that document?

Mr Tidswell—I would suggest that was a Centrelink produced document that found its way into the public domain and it described the various things that we would do as the Family Assistance Office to process overpayments. I do not have a copy of that with me, unfortunately.

Senator MARK BISHOP—Does anyone have a copy of it with them? Are officials familiar with the document?

Mr Tidswell—I would be familiar with the construct of it—not of every final point. If I had it there in front of me I would be more familiar with it.

Senator MARK BISHOP—I am happy to make a copy of it available to you if you want it. While we are getting the copy made: Mr Tidswell, you said you were familiar with the construct of the document. Can you describe in broad terms what that document is?

Mr Tidswell—Again, I will have to wait until I see exactly what it is. I thought it may have been the document where we put some advice out to our area network and call centre network, but I will wait until there is a copy available.

Senator MARK BISHOP—Okay. We will wait. Can you just describe in broad terms what the document is, the document headed 'FAO reconciliation impact assessment', dated 21 May 2001, that has been provided to you?

Mr Tidswell—I cannot identify where this document was produced. It certainly was not produced in Canberra. I suspect it was produced in one of our areas for their customer service centres. In looking at the elements here, it is focusing on material that was available to our network to understand the flow of work, the activity we expected, some of the downstream impacts that would occur, and obviously a chronology of what we thought at that time with the critical dates, I notice there, in terms of a timetable of particular dates that run through until 1 October 2002. I cannot sight any official letterhead or identification of which particular area of ours produced it, but the information in it was material that we would have been providing in verbal and written briefings to our network.

Senator MARK BISHOP—Has anyone else seen the document beforehand?

Ms McKay—No.

Mr Henry—Absolutely not. It is not a FACS document and I have never seen it.

Ms Vardon—No. I am looking over their shoulders. I do not know that document.

Senator MARK BISHOP—So it was not produced by your organisation?

Ms Vardon—Any documents that were used officially by our organisation would have come from Grant Tidswell, who is the National Manager, Families, in our place—families and children. He is the only person authorised to issue official documents from Centrelink to our network.

Senator MARK BISHOP—And you have not seen the document before, Mr Tidswell?

Mr Tidswell—I am familiar with the material, but I am not familiar with the exact document that I have before me. It is difficult to get a sense of where it was produced because it does not have a header on it or a description of where it came from. I could find that out fairly quickly. We supply that material in briefings of various forms. It went through—as we needed to do—to provide our staff with the best information possible to handle the workload.

Senator MARK BISHOP—But this is a detailed document, going over 12 pages, on reconciliation, impact assessment and strategy of how to handle that issue. So it would have been prepared centrally and nationally.

Mr Tidswell—I will take that on notice. Looking at the document here before me, it may well be a product that we put together but I cannot certify exactly who produced it, where it came from and the intended audience. I just notice here that the document is focusing primarily on customer service centre FAO teams. I am assuming it is one of the products put together by our staff.

Senator MARK BISHOP—Who is the officer in charge of reconciliation impact assessment?

Mr Tidswell—Within Centrelink that was me.

Senator MARK BISHOP—That was you in Centrelink. So this document would have been prepared by Centrelink?

Mr Tidswell—That is what I am assuming, but until such time as I can verify who produced it, and dates and times and details, it is rather hard for me to say.

Senator MARK BISHOP—Who is responsible for that task in your organisation, Ms Vardon?

Ms Vardon—The National Manager, Families, is responsible for communications. But I also say that we hand out a lot of information nationally, but there are Families people at area level who think about what we are going to do with this strategy in our area.

Senator MARK BISHOP—What is an area level?

Ms Vardon—Centrelink operates with 15 areas. We have area managers—we have divided Australia up into 15 parts.

Senator MARK BISHOP—But this has not been produced for use at a regional or area level. This has been produced for the organisation as a whole to implement its reconciliation procedures arising out of the debt recovery, and that necessarily would have to be done nationally and centrally.

Ms Vardon—We are not denying the information at all. There was in fact a very big strategy worked out under our Families office to make this thing happen. The only person I have with me I can rely on at this time is the man who was in charge of the strategy, Grant Tidswell. He is your best informant on this matter.

Senator MARK BISHOP—And you are not the author of the document, Mr Tidswell?

Mr Tidswell—I know we supplied a lot of material on briefings.

Senator MARK BISHOP—No, I am sure you supplied a lot of material on briefings. Are you the author of this document?

Mr Tidswell—No, I do not think I was.

Senator MARK BISHOP—Either you wrote it yourself or you gave instructions to an officer to write it himself or herself or you did not. Did you write it yourself?

Mr Tidswell—No.

Senator MARK BISHOP—Did you give instructions to any of your officers to write it themselves?

Mr Tidswell—I cannot be sure because I cannot verify the original source of the document.

Ms Vardon—But the content in the document was the nature of the strategy that we were actually implementing. I cannot speak for the whole of it, but that is the sort of literature that was put out.

Senator MARK BISHOP—Yes. It is the type of plan I would expect any reputable agency to prepare when the problem or the consequence emerged of the size that we had back in December of 2000. I am surprised that the senior person in charge of that work has no knowledge of who prepared it.

Ms Vardon—But you are referring to a particular document. If you ask him whether this was the nature of the strategy you will probably get an answer of yes.

Senator MARK BISHOP—You have already said that and I accept that. No-one yet is doubting its veracity, but I am trying to establish who is responsible for its preparation.

Ms Vardon—I think if it had come out from the national office it would have had a header and it would have been very clear who it had come from. Grant would have signed it. It would have been a formal document.

Senator MARK BISHOP—But he has no recollection of that.

Ms Vardon—I said if it had come from there, but the document would not look like that. It would have looked different, unless it has been pulled apart and a front cover note has been taken off it. But we are not denying the content. You are asking for the specifics of the document. We need more time to give you the specifics of the document.

Senator MARK BISHOP—I am asking who the author of the document was.

Ms Vardon—We cannot answer that now, but we will find out. We will have an answer in 10 minutes.

Senator MARK BISHOP—Who commissioned the document, and when?

Ms Vardon—We have a theory as to from whence it came. We will be confirming that and we will be able to give you an answer to your question when we have that confirmed. The hypothesis that we are operating on is that it comes from an area that has interpreted all the national stuff and put its own strategy together. That is the hypothesis; we are just testing it to give you the best information we can.

Senator MARK BISHOP—Is one of your areas tasked with the preparation of this type of material, generally?

Ms Vardon—When we have a very big rollout—this was a seriously big thing that Centrelink did—there are teams of people in every area whose responsibility it is to make sure that it goes as smoothly as possible. Those teams rework information according to the nature of the presentations that they are going to give, but the core information comes from the centre. But because Australia is such a varied place, what might be exactly how it is going to be implemented in one area might be slightly different from how it is going to be implemented somewhere else.

Senator MARK BISHOP—This document does not provide the differential methods of implementation in different parts of Australia.

Ms Vardon—But it may be how one area manager has chosen to send out all the information about this particular program to his area.

Senator MARK BISHOP—What would the other 14 area managers have done?

Ms Vardon—Each area had its own strategy, based around a national theme. I cannot speak for the areas, but—

Senator MARK BISHOP—Perhaps we are at cross-purposes; when you say 'area', I was interpreting you to mean geographical area, but you do not mean that, do you?

Ms Vardon—I do mean that. There is the Hunter area; three areas in Sydney; an area from Queanbeyan out to the extremities of New South Wales, down south; Western Australia; South Australia; north Australia, which is across the top of Australia; central north Queensland; Tasmania—those are big geographic areas.

Senator Vanstone—Do you know where this document comes from, Senator?

Senator MARK BISHOP—It was provided to me.

Senator Vanstone—It obviously was, because you have it; so we know that.

Senator MARK BISHOP—Yes, as part of this brief. If you are asking me where it originated, I do not know.

Senator Vanstone—Can you tell us who gave it to you?

Senator MARK BISHOP—No, I do not think so.

Senator Vanstone—Why not?

Senator MARK BISHOP—It is out in the public domain; I do not know its origin. It has been out since June-July of last year.

Senator Vanstone—Yes, but I am asking who gave it to you.

Senator MARK BISHOP—It does not matter who gave it to me.

Senator Vanstone—It may not.

Senator MARK BISHOP—It does not. It is a document that has been out since July. No-one is questioning its veracity.

Senator Vanstone—No, I accept that. I am just asking if you can tell us who gave it to you.

Senator MARK BISHOP—I choose not to.

Senator Vanstone—Do you have a fax number on the top of your copy?

Senator MARK BISHOP—You have a copy of my copy.

Senator Vanstone—I want to know if you have a fax number on the top of your copy.

Senator MARK BISHOP—You have a copy of my copy.

Senator Vanstone—Oh, I have a copy. I thought you were asking me to tell you. This is a copy of your copy? There is no fax number on the top of ours. There is part of one. Have you had that cut off?

Senator MARK BISHOP—Have I cut it off?

Senator Vanstone—Yes.

Senator MARK BISHOP—No.

Senator Vanstone—Has anyone in your office done so?

Senator MARK BISHOP—No. So, back to this. We have 15 geographic areas and we have a document that outlines a reconciliation process. Is it conceivable that there would have been a different reconciliation process of this debt recovery, unders and overs, in different parts of Australia?

Mr Tidswell—Looking at this document, what I think has occurred is that we would have supplied from Canberra a list of instructions and material for areas to construct their training material and approaches to dealing with expected workload. When I look at this, it looks like a combination of a range of material we would have provided in a format suitable for a particular area. So many of the things would be uniform, but some things would be different because of the nature of different areas—some might be remote, some might be more metropolitan et cetera. So there will be differences in how each area would handle the workload, and therefore they would reflect it in a document similar to this.

Senator MARK BISHOP—In the process of finding out who drafted the document and when it was commissioned, did the minister or the minister's office have any involvement in the commissioning of this document?

Mr Tidswell—Not to my knowledge.

Senator MARK BISHOP—Minister?

Senator Vanstone—If the document I am looking at is the one that you have provided, I would like to say that this is the first time I have seen it. I am pretty sure it is. If I have seen it in another context, it is that someone has said, 'This is a document that has appeared in the public domain,' and I have looked at the front cover and thought, 'It is not something that I have seen before.' It is certainly not generated by me.

Senator MARK BISHOP—Not generated by you or your office?

Senator Vanstone—Or my office, no.

Ms Vardon—Senator, it looks like the sort of operational document that we are familiar with.

Senator MARK BISHOP—Yes, that is what it looks like to me.

Ms Vardon—Therefore, it is highly unlikely that it would ever have gone anywhere near the minister's office; that it is an internal document for our people to make sure that the right thing happens.

Senator MARK BISHOP—Paragraph 7 on page 1 states:

For FTB customers who lodge tax returns, any positive or negative adjustment will be transmitted back to the ATO where the adjustment will be made as an addition to or subtraction from a customer's tax assessment.

Mr Tidswell, who put forward the idea of stripping from customers' tax returns?

Mr Tidswell—I will answer quickly and then ask Mr Keith Henry to give the fuller answer. That was part of the intention of the policy design of the process. It was changed on or about 1 July.

Mr Henry—Mr Tidswell is correct, Senator. The design of the system always provided for debts to be offset against tax refunds. That was always part of it—and, of course, for top ups to be paid as part of the tax refund process.

Senator MARK BISHOP—From the inception, that was part of the process?

Mr Henry—Yes, that is my understanding.

Senator MARK BISHOP—And that was part of the new tax system?

Mr Henry—Yes.

Senator MARK BISHOP—So when would that have been?

Mr Henry—Mr Popple may be able to assist more, as this predates me in part. The design of the new tax system was in late 1998, early 1999.

Mr Popple—Yes. It was described to Senator Evans in the last Senate estimates process as well—about how this would operate in terms of top ups and overpayments being adjusted through the tax system.

Senator MARK BISHOP—You say it was part of the original design process. When was the strategy approved for the tax stripping and who did that?

Mr Popple—I believe it is in the legislation that has been passed by parliament.

Senator MARK BISHOP—You believe that or—

Mr Popple—We can confirm that, but that is certainly my understanding.

Mr Sullivan—I think the critical thing here is this was always designed as a tax payment. It is not assistance from FACS. First and foremost, it is designed as being a tax payment and then an offer to people that says, 'If you wish to access this payment on a fortnightly basis, we can estimate how much it will be, based on your estimate of assessable income, and give it to you fortnightly.' Inherent in that always is that in the end it would be the tax system that would determine whether our estimate of that payment was right or not, and the primary reconciliation process would be with their tax refund cheque or their tax assessment debit notice. It would go up or down depending on whether you were topped up or you owed money or you were square on the deal.

Senator MARK BISHOP—But this strategy was withdrawn in July 2001, wasn't it?

Mr Sullivan—It was announced that the strategy in dealing with overpayments as a result of the reconciliations would be different in respect of, first, the waiver of $1,000; and, second, in respect of the recovery processes for such debts that still existed after the waiver was taken.

Ms McKay—And for the first year.

Senator MARK BISHOP—For that year?

Mr Sullivan—That is right.

Senator MARK BISHOP—So the recovery process for the waiver of the debts takes us back to that paragraph that I read out going to the tax stripping.

Mr Sullivan—You are you relating this document to what is a very fundamental policy review, and this document has no relation to any policy review. This discussion we are having is premised on a document which has not been identified. It has been agreed that it contained

some operational elements, but you cannot link this document to any policy consideration of family tax benefits. The policy consideration of the family tax benefit and the reconciliation process was done in quite proper ignorance of the existence of this document.

Senator MARK BISHOP—In terms of the legislation?

Mr Sullivan—Yes. Your question linked the policy review and the policy decisions announced on 1 July 2001 to this document. I am saying there is no linkage.

Senator MARK BISHOP—And I am asserting the opposite. I am saying that there is a direct linkage between the minister's announcement of 1 July and this document being made public prior to that.

Mr Sullivan—I fail to understand your linkage.

Senator MARK BISHOP—The linkage occurs because a large problem emerged in the quantum of overpayments and underpayments. The department and the minister's office became aware of that in December 2000 and early 2001. During the first six months of 2001, the strategy document was put together that was going to allow a mechanism to recover the overs and the unders. That document is dated 21 May, and it came into the public domain in early June. In early July the minister made an announcement that that strategy was going to be annulled for a period of 12 months. I see a direct linkage between the two.

Senator Vanstone—Are you saying that I have made some announcement that refers to this strategy and says that strategy is going to be annulled? I do not think that is the case.

Senator MARK BISHOP—For a period of 12 months.

Senator Vanstone—No, I am sorry. I make the point that I do not recall ever seeing that document before, so I doubt that I have made a statement saying that document does not apply.

Ms Vardon—Would it help if I identified the document?

Senator MARK BISHOP—Yes.

Ms Vardon—The document was prepared by the Family Assistance Office coordinator of Area Pacific Central based in headquarters on the Gold Coast. That was strictly for putting together an operation strategy for Pacific Central.

Senator MARK BISHOP—Who was that person?

Ms Vardon—Fred Keeley.

Senator MARK BISHOP—So he is the senior man there?

Ms Vardon—No. He handles this particular program inside that area. His job was to coordinate the rollout of the whole of this strategy in his area. There was a similar person all around Australia.

Senator MARK BISHOP—So he is the FAO coordinator in Central Pacific. Was the document that he prepared for application only in Central Pacific or for application elsewhere?

Ms Vardon—Taken from a national strategy that was his interpretation of how it was going to be done in his area.

Senator MARK BISHOP—What do you mean by 'taken from a national strategy'?

Ms Vardon—In general terms, the rollout is how we do things. The policy instruction comes over from the policy department with a fair bit of detail attached to it. Our people have

usually been involved in the design of that detail. It then gets officially translated inside our organisation through the national manager, whose job it is to manage the whole of the strategy as it rolls out. We do three or four of these a year. Grant, who is the national manager, would then call the area coordinators together and have many conversations with them to say, 'This is generally how we are going to roll it out. These are the requirements that have come to us,' and then each of those area coordinators then works out how to roll it out in their area.

Senator MARK BISHOP—So Mr Keeley was tasked with preparing the document in his area of Central Pacific, consistent with the national strategy?

Ms Vardon—Yes.

Senator MARK BISHOP—And that national strategy had been developed in Mr Tidswell's office?

Ms Vardon—We would have done it hand in hand with our colleagues in the Department of Family and Community Services, but that is the way things usually happen.

Senator MARK BISHOP—My question is: where is the national strategy developed and who develops it?

Ms Vardon—I will ask the national manager in charge of the strategy to answer.

Mr Tidswell—We certainly were involved in producing documentation and in providing written briefings and oral briefings to our Family Assistance Office, as coordinators throughout the country. As I now understand, this material would have been put together by our coordinator there, probably from a variety of briefings and often with a flavour peculiar to one area, for distribution to his key managers within that area as a way of explaining: 'This is the work load, this is the impact as we know it and these are the things you need to prepare for and to look out for.'

Senator MARK BISHOP—Is it fair to conclude that each of the other FAO coordinators in the other 14 areas would have carried out a similar task?

Mr Tidswell—They may well have done so. Some may have just used the national documentation. Others may have provided, as Mr Keeley has done, a particular flavour for their particular area.

Senator MARK BISHOP—How does Mr Keeley's document—this document—materially differ from the national document?

Mr Tidswell—Without going through it line by line, I cannot answer that question categorically.

Senator MARK BISHOP—Can you glance through it?

Mr Tidswell—In flicking through it, it is consistent with the information that we knew was available on the date of this document, which is 21 May 2001. So the material there was as we knew it at that time, and the projections of work load, impacts, dates and deliverables were as we intended and forecast.

Senator MARK BISHOP—So it is consistent with the information that you knew at the time; it is consistent with the information which you passed to your various areas. The only difference that you are aware of from the national document goes to what you called 'flavour' relating to local variances in the Central Pacific area?

Mr Tidswell—Without going through it line by line, I cannot say that is exactly the case. But, by a quick scan and look at it, the material seems consistent with the advice we provided.

Senator MARK BISHOP—Who authored the national strategy and national documentation that was prepared in your office on this issue, Mr Tidswell?

Mr Tidswell—There would have been a number of direct authors, and I would have been responsible for the final sign-off on that product.

Senator MARK BISHOP—A number of officers who report to you would have put together the document, and you would have read it and signed off it?

Mr Tidswell—There would have been a variety of documents as we got into the scheme of things and worked out what was going to occur. So it was not just one document. This was a living, breathing strategy that had different sorts of peaks and troughs to it.

Senator MARK BISHOP—But sooner or later there is a final document for the reconciliation impact assessment, isn't there?

Mr Tidswell—There would have been a number of those documents.

Senator MARK BISHOP—There would have been a number of preparatory drafts, but sooner or later the job would have been concluded and your officers and you would have been satisfied with the final document that was appropriate to be forwarded to your various area managers for consideration and implementation?

Mr Tidswell—There would have been an overarching document and then a number of subsidiary documents that would talk about particular impacts of particular kinds of issues. Because of the large nature of the issue and the number of things that were affected, there would be a variety of documents for different audiences.

Ms Vardon—There is not a point in time at which everything freezes. I think this was the point that Grant was making: that in fact these things move.

Senator MARK BISHOP—Yes, and I am saying there does come a time when things freeze. If the environment changes or the conditions change, you have to change work practices.

Ms Vardon—That is right.

Senator MARK BISHOP—I do not quarrel with that. But what I am trying to establish is who put together the national strategy, when it was substantively concluded, and when it was circulated to the various area managers for local adaption or local flavour. That is what I am asking Mr Tidswell. I am asking: when was the national strategy document substantially concluded, who was involved in its preparation, when did you sign off on it, and when was it circulated to area managers for either adaption for local circumstances or implementation at a local level?

Mr Tidswell—I would have to take that on notice. I could get some information within half an hour, but I do not have that information with me.

Senator MARK BISHOP—Okay. If you could get that information as soon as possible it would be appreciated. When did it become clear that significant resources would be required to cope with the demands flowing from the reconciliation process?

Mr Tidswell—When we implemented the initiative in July 2000, we were always aware that there was this part of the process where we would reconcile families' entitlements. It was always a little unclear to us what the impact of that would be. I suppose month by month, as we got to understand what the impact of this process would be, we were able to kind of develop our assessment of what some of the issues would be. I suppose in this document it gives you that flavour of some of the things that we thought might occur, some of which did

occur and some of which did not occur. It was always a bit of a crystal ball gaze into the behaviour of families, which was always tricky to predict.

Senator MARK BISHOP—It was. But in July 2000 you were still acting on the assumption in the design feature that the overs and unders would essentially balance out, weren't you?

Mr Tidswell—That might have been the high-level policy parameters that were set. From we were, as the operational arm, there was always quite a lot of work for us to do, to collect estimates from families and then have this process where we take information from the Taxation Office and deliver results to Australian families. So it was always a very big issue for us. It was one of the biggest things we have ever done in terms of our systems build, in IT. It was a very challenging task. I think what was most difficult was we were not able to predict the outcome so it meant that we had to be constantly thinking of all the sorts of things that we might have to confront.

Senator MARK BISHOP—So you started to seriously think about those issues in July 2000?

Mr Tidswell—After we got over the hurdle of the implementation, which was a big task in itself, we then had a period of time when we started to work out what we needed to do, and the focus from our end, in terms of the operational end, was to say, 'Our role and function in this is to assist families to keep their estimates up to date.' So we went through many processes of thinking: 'What is the best way we can help families to keep their estimates up to date?'

Senator MARK BISHOP—Okay. So as you are doing your reviewing and your planning and your consulting down the line with staff, and you are getting preliminary assessments of the degree of success or otherwise of the implementation, as you were going through that process when did you start to think, 'Oh, we are going to need a lot of additional resources'? When did that thought start to come to your mind—at the beginning, in December?

Mr Tidswell—I think we always knew that this was going to be a hard task and therefore we would always talk to our network and call centre staff about the need to be planning to have all staff on deck for the reconciliation process. But, by and large, the resource distribution was allocated at the start of the financial year. It was about getting the effort there at the right time for the particular events.

Senator MARK BISHOP—Okay. So at the start of the financial year, 2001?

Mr Tidswell—Correct.

Senator MARK BISHOP—On page 9, paragraph 6, it says:

FAO call staffing has increased by 400 in anticipation of reconciliation. Total numbers will be around 1,400 compared with 1,200 at FAO implementation.

Why were so many staff required?

Ms Vardon—The reference to staff that Mr Tidswell made was about our FAO teams on the ground in our offices. We always knew that, because this was so big, we were going to need extra family staff in the call centres. We anticipated this, because this was a massive tax reform change, and we thought we were duty bound to make sure that people did not have to wait too long. So we planned quite early to put on extra staff in the call centres. Again, we were not quite sure exactly. We knew there would be a coincidence of staffing with peak times in this process, but we knew that the demands would increase in the call centres because

it always does whenever there is a big project coming up. The first thing that people do is to ring.

Senator MARK BISHOP—Yes. All right. So are you saying to me that it was always the intention to employ those extra numbers up to that level?

Ms Vardon—Yes. We certainly did increase it a little bit more, but not very much more, from our early anticipation. We wanted many hundreds of extra family staff on for the second half of last year.

Senator MARK BISHOP—When you say you increased it a little bit from your early anticipation, what sort of figures are we talking about?

Ms Vardon—All in all, I think we increased the call centre phones by about 780. That was a figure that we went up to. I can remember we went through 400, 500, 600, to 780. The problem for us was actually recruiting; it was not actually setting the figure. It was getting the bodies on the seats. But we had in our mind about 700 in the early days. They were not all for families, but we knew it was going to be a busy time.

Senator MARK BISHOP—And that 700 increased over time to around 1,400, as per the document?

Ms Vardon—I cannot see the document. I have to get the call centre managers in to have a look at the exact figures that were set. But, certainly, there was an understanding in our organisation that call centre numbers would increase.

Senator MARK BISHOP—Yes, but your earlier comment was that you thought there would be some 700 staff involved and this document outlines 1,400 so it is effectively a doubling increase.

Mr Bashford—This document here refers to the FAO line only. What Ms Vardon has been referring to, with the 780, was across all of the call centre lines.

Ms Vardon—But the figure 1,400 is not familiar to me. Let me just make that absolutely clear: the extra staff we put on that families call was that 400, and that meant that all around Australia that would have boosted the families line to 1,400. Yes, that is correct.

Mr Bashford—But I am not sure that those are accurate figures. These are figures that this particular individual would have perhaps heard.

Ms Vardon—We could get you the exact figures from our call centre people if you wanted them. But that is in the ballpark.

Senator MARK BISHOP—Okay. If you could take the exact figures on notice it would be appreciated.

Ms Vardon—We will.

Senator MARK BISHOP—When was the decision made to employ these extra staff?

Ms Vardon—I remember we had a conversation. I do not know the month but I know that early in the year we anticipated it. I cannot tell you the exact month we started to talk about it, but I know that we had to start early because it takes about two to three months to get staff on the ground. We had to get more space to extend our call centres. There is a fair bit of work to do to put on this many extra staff. So to get them in time we would have had to plan many months beforehand.

Senator MARK BISHOP—Okay. But the key point here is that you anticipated some time early on that the reconciliation process would require more staff than when the whole system was first introduced.

Ms Vardon—Life does work quite like that in our organisation. What we do is we anticipate peak demand in our organisation. At any one time we have got five or six big peaks coming out. For example, there is a big peak right now in students. We always know it is going to happen. During the year we can plan the demand strategy and then we see a new strategy. We say that all these people in Australia are going to have a new tax scheme and we are going to have to answer more questions than we normally would. Every time we send out a letter 30 per cent of the people ring us. We know there is a direct relationship between letters and call centres. We knew that there would be many people ringing early in the piece. It is quite usual for us to staff up according to those peaks. It is part of the way we manage our call centres.

Senator MARK BISHOP—I accept that there is going to be variable levels of staff, depending on levels of demand. The point I am making is that there was a certain level of staff hired in call centres for the implementation of the whole new system—and we will call that X or whatever. The system is implemented, problems emerged and decisions were made to employ extra staff so the document is largely correct. The net result is that the reconciliation process which has to occur seems to employ significantly more staff for that process than when the system, including the reconciliation process, was established and introduced.

Mr Bashford—Not necessarily. We put on temporary staff to cope with the peaks. We may have put on a whole bunch of staff at the start of the exercise and then taken all those staff off. We might have been running at a lower level again and then there was another peak, in terms of reconciliation, so we put more staff on, and we will take them off again.

Senator MARK BISHOP—Let us go down that path. Of these extra staff that were hired, how many were hired and for how long did they remain with the organisation?

Mr Bashford—We will get that information for you. I make the point that this was not the only major issue that was going on. We were finding that our call centres were being inundated with calls from various sources. Therefore, we put a lot of staff on to try to handle the call centre demands. We will try to get some accurate statistics for you. The figures in this particular document are simply a person's version. They may not be accurate because he would not know any more—

Senator MARK BISHOP—They are not a person's version.

Mr Bashford—Yes, they are.

Senator MARK BISHOP—They are not. That was not what Mr Tidswell said. Mr Tidswell has not, in any way, attacked the veracity of this document. He said a national strategy was devised and put together by a team in his office. He eventually signed off on it. It was circulated to the area managers and the area managers had authority to change it for local flavour.

Mr Tidswell—I said in answer to one of your questions that I could not categorically say, line by line, that everything was there.

Senator MARK BISHOP—No.

Mr Tidswell—In this particular paragraph, I cannot recall putting out that piece of information. The figures may be correct, but it may well be somebody's knowledge of

previous events and what he heard in a conversation with somebody else in the call centre network. I do not recall us putting out that figure on a national basis.

Mr Bashford—There is no doubt we can get you the accurate information about how many people went on what line and at what time.

Senator MARK BISHOP—Thank you, Mr Bashford. We will have that information.

Senator DENMAN—The next time you need people, do you try to employ the same people so that you do not have to bear the cost of training?

Ms Vardon—We certainly do. We have a percentage of permanent staff and a percentage of what we call non-ongoing staff. Often they are employed, knowing full well that they are there for the peaks and troughs. Of course, we prefer to have them come back because of the training we have put into them.

Senator DENMAN—Thank you.

Senator MARK BISHOP—Let us try to wrap up this section. Is it correct for me to say that there were more staff employed for the reconciliation process than when the whole system was first introduced?

Mr Bashford—I do not think we can answer that until we see the actual figures. I do not think it is likely that that is the case.

Ms Vardon—Just to make it more confusing, can I add that every year there is an exponential growth in people who use call centres. One year it is 22 million and the next year it is 25 million—people keep ringing. Overall, we have to factor into our people planning the fact that this is a growth area which needs to be controlled. At this moment, the people of Australia want to keep ringing us. Underneath any peaks and troughs, there is also another groundswell of people using the phones. We have to take all of the things into consideration.

Senator MARK BISHOP—Of course you do. But the level of demand inherent in the reconciliation process is directly related to the number of overs and unders. We know from what you told us earlier that about 1.8 million family payments were made and we also know, in terms of the FTB and the CCB, that there were about 700,000 or 800,000 overs and unders. We also know that that degree of overs and unders was not anticipated when the system was designed and implemented. I am not allocating any fault or blame. It strikes me as logical that significant extra staff would be employed to cater for that increased and unexpected demand rising from the large numbers of unders and overs, which had not been anticipated because of the roots of the system. That is the point I am making to you.

Ms Vardon—I cannot say at this stage whether it was unexpected. We always expected the introduction of this new tax reform for families to be very busy. It was always there. I am not sure that I can start saying it was not expected because, in fact, we did expect a big demand.

Senator MARK BISHOP—Yes. No-one at this table today has asserted that the expectation of demand was going to be about 40 per cent of family payments—700,000 or 1.8 million. No-one has asserted that. Are you asserting that now that you expected that degree of fault?

Ms Vardon—I am not asserting anything. I would be saying that without facts.

Senator MARK BISHOP—But, when you put the system together, part of the design process was balance on the unders and overs. You knew from previous experience, as outlined this morning, that there had been problems in previous systems—40,000 was the figure mentioned—but we now have a figure in the order of fault in 40 per cent of all family payments.

Mr Bashford—In every major implementation we try to predict the extra number of calls that will come in. Inevitably, though, because people react in different ways, we do not get it accurate. What we do is react to the call wait times that we are getting in our call centres. If people are having to wait a long time then we put temporary staff on to try to reduce that wait time.

Senator MARK BISHOP—Ms Vardon, no organisation could knowingly and deliberately implement a system that is going to have a fault rate, or a consequence rate, as the Minister calls it, as high as 40 per cent. If that was a deliberate intent of the department at the time, it is just outrageous.

Mr Bashford—I am not sure where you get the 40 per cent from?

Senator MARK BISHOP—It is the total of the overs and unders for the FTB and the CCB that was outlined earlier this morning.

Senator Vanstone—Senator, with the greatest respect, I appreciate that you see the difference between calling something a flaw and an error. It is a consequence of shifting to a system that allows some people to go on income estimates. Some people—and maybe you—choose to refer to giving people the choice of an estimate and the necessary consequences when some people do not get it exactly right as a flaw. But, if you are suggesting, because you have added up some figures that say the number of people under and the number of people over is 40 per cent, that that is a 40 per cent error rate, I would take you to task on that interpretation simply because you are back in the same position of saying that a design system that allows people to have the choice of taking the amount annually or fortnightly on the basis of estimates is—when, as a consequence, there are adjustments at the end—flawed. They are in fact the enablers, if you like, that enable people to be paid fortnightly rather than annually and enable them to have that money fortnightly on the basis of estimates that they have provided, with the necessary requirement therefore for the top-ups of unders and overs to be made at the end. So, with respect, that is why I think people are a bit bemused when you say 'a 40 per cent error or flaw rate'. I do not look at it that way. It just means that a total of 40 per cent of the people either had a top-up or an overpayment.

Senator MARK BISHOP—I think, Minister, we both share an understanding of the facts. You say it is a legitimate and direct consequence of the design of the system based around choice deriving from the implementation of the new tax system. I put to you that the flaw, the mistake if you like, is shifting from a social security system based on certainty to the new tax system based on choice. That leads to what you call a consequence and what I call a huge error, because the consequences of the error are (1) in terms of choice, as you outline, but (2) in terms of additional cost and additional staff that have to be hired and trained and all the rigmarole that goes with that, apparently more in the reconciliation process than in the implementation of the whole system. You say that is a consequence and perhaps a necessary cost. I say it appears to me that the whole system is necessarily flawed if it leads to that sort of outcome.

Senator Vanstone—I am always interested, and I am sure the government would be interested, in someone presenting an alternative system that provides the same choice. You see, you are never going to get a Liberal to say that choice is a bad thing—

Senator MARK BISHOP—No!

Senator Vanstone—generally speaking. We like to provide options and choice—so we might have a different view there. I canvassed this roughly with you this morning—because I have thought a lot about this. This is a lot of work to ask Centrelink to do. It is not fun work

adding up these reconciliations. It is not terribly exciting. It is not terribly exciting for the people working in call centres to have to deal with people who have underestimated their income genuinely or who have underestimated their income and deliberately not told us. They are angry either way, whether they are at fault or not. This is not a fun job.

Senator MARK BISHOP—No, I am not saying it is.

Senator Vanstone—Just in case you thought people were not caring about any of this, I thought I would indicate to you that this is a lot of work the government has asked Centrelink to do. We are very grateful for the way in which they have done it. We think the implementation that they did of it was extremely smooth and that, given the size of the change and the nature of the change, the reconciliation process and the way they have handled that has been extremely good. We expect them to want more staff and we have given them the money to do that, to get it right, to help people. You say, 'Oh, all the necessary staff and hoohah!' We are happy to have that in order to have what we think is a better system. I understand that we understand each other on this issue. We are not arguing about the facts of how things are but perhaps a different way to go. But what I have not heard from you is what you would do: whether you would pay people on last year's income—

Senator MARK BISHOP—It is not—

Senator Vanstone—or, alternatively—

Senator MARK BISHOP—Minister, this decision was made in November.

Senator Vanstone—Hold on. I am just canvassing the point here. You say this is a flawed system. The alternative your party offered was, 'Well, why don't you borrow a thousand dollars from this system if you are short of money at any time.' I appreciate your questioning today has been somewhat more logical than others have presented in the past—not on this committee, I mean in the general milieu of politics and through the media—but we have not heard an alternative that is better. There are alternatives but there are not alternatives that provide the payment on the basis of your income in that year and with a choice of whether you take it through the tax system or the welfare system and acknowledging your income compared to other people. That is, a relative equity so that the rich do not get as much as poorer people and so that people with one or two kids do not get the same as people with 10 kids or five kids or three kids. We have designed a system that accommodates the individual needs of families there. It necessarily means a lot more work for Centrelink. We are very grateful for what they have done. We think that this has been a difficult year, and it has been difficult for some families near these taper zones—people with variable incomes at or about the taper zone levels, but I do not jump to the conclusion from that that this is a bad system. I certainly would not be advocating to go back to one that paid some rate on the basis of last year's income because I think that is unfair to families where the woman has moved out of the work force in this year and wants more money this year. I would not advocate going to a flat rate.

Senator MARK BISHOP—Okay. So you stand by the integrity of the system.

Senator Vanstone—It is a bit like what I think Winston Churchill said about democracy: 'It has got its problems, but show me a better system.'

Senator MARK BISHOP—Do you stand by the integrity of the system?

Senator Vanstone—I am not sure what you mean by that.

Senator MARK BISHOP—You are putting here a very heavy defence based on choice—benefits to families who exercise choice—and the cost that I allege is high and unnecessary you say is legitimate and understandable because of the overall benefit?

Senator Vanstone—Roughly speaking, I would say that is my view. I think this is a better system than we had before. We have rolled about 12 payments into two or three and we have given families more money—an increase in the payments in any event—and choice. But it will take time for some families to recognise the new system and the opportunities it provides them, which it does. I think you will end up with families consciously overstating their expected income so that they get the bulk of their money through the year and then a small top-up at the end of the year. They were not used to doing that in the past, because the past system was culturally ingrained: if you get it wrong you do not get a top-up. But now you do. So it is going to take some time for that to filter through. You ask me: do I think it is a better system? Yes, because they get a choice of how they have the money. The money reflects their needs in that particular financial year, and it reflects their own income and the number of children they have and it pays one family in one position the same as another. It has a necessary consequence of therefore having some people with top-ups and some people with overpayments, but I think, as this system is in place, over a shorter rather than a longer period of time it will become the accepted and most sensible system, and any government that tries to shift back to paying people on last year's income will meet with significant resistance, in particular from families that have new babies.

Senator MARK BISHOP—All right. You have put your cards on the table. As to the error rate that has emerged—the consequent rate or whatever—the flaw, the 40 per cent, 700,000 overs and unders out of 1.8 million, the pain of that has been alleviated to the extent of about 75 per cent because of the government's $1,000 waiver but, unless some of the basics of that system are changed into the future, there is going to be the same number of problems with a higher quantum of money involved—because there will not be a waiver every year, will there?

Senator Vanstone—No. There won't be. That is not necessarily true. I do not think we can confidently guess at percentages over the next year or so, but there has been quite a lot happen since this system was first introduced. There has been a significant amount of contact by Centrelink with clients.

Senator MARK BISHOP—Yes.

Senator Vanstone—A very conscious effort.

Senator MARK BISHOP—Yes.

Senator Vanstone—Not to just sit back and say, 'Look, we've got the government policy. We have implemented it and we will wait and see what happens every year.' They have consciously gone out to help their clients, to make sure people have understood, in a very considered and professional way. That has got to have an impact.

Senator MARK BISHOP—Oh, yes; I have got a copy of the literature here.

Senator Vanstone—Let me balance that against my guess, and it is just a guess. I have no research or reason to draw a conclusion, but I have an intuitive hunch that there will be people who will consciously take the chance, because there was a waiver last year, that there will be a waiver next year.

Senator MARK BISHOP—They will do that.

Senator Vanstone—But that will be on their heads because the government has been very clear about this: there will not be. To the extent that anybody does do that—and how will we know?—that will counterbalance some of the efforts that Centrelink have made this year. But then, as we move into the next year, for most people, who will be on their third year of the system, it will be clearly understood. And let us remember that most people managed this extremely well. You refer to 40 per cent. Some of these debts were two and three dollars. Nearly half of them are under $300. Let us say we said to a family: 'Look, there is a chance that you are going to end up with either an underpayment or over-payment of $300. If it is an underpayment you will get a top-up. If it is an overpayment we will take it out gradually over next year's. But, in exchange for that, you can have the money fortnightly and on the basis of this year's income and not last year's—when you were in the work force—which would mean you would get less.' I reckon families would vote yes, yes, yes!

Senator MARK BISHOP—We are both making assertions here, I suppose. I think a net debt of $300—so that means you have to earn about $500—for a worker on an award wage or an EBA of 20 to 25 grand a year, which is the going rate for low income workers, is a heap of money. I mean, that debt comes out of the blue. It doesn't matter to me—$300 is nothing. It doesn't matter to you, you just sign a check—

Senator Vanstone—I have to be more careful; $300 matters to me.

Senator MARK BISHOP—Okay, it matters to you, but it does not matter to you to the same extent—

Senator Vanstone—Yes, I agree with that.

Senator MARK BISHOP—as it does to a family, a man and his wife with one or two kids on 20 to 25 grand a year. To them a debt of $300 net is a heap of money to find on Thursday when last week's pay check has gone. So I don't share your view there.

Senator Vanstone—Let me respond to that. Firstly, you are picking an income down around—

Mr Henry—Any such person at that level of family income would be getting maximum rate.

Senator Vanstone—So they are not going to be up in the taper zone—the people you are talking about. That is the first point. They are going to be on the maximum. I am not trying to be pejorative here, but that was an emotive example to pick. It is unfortunate for you because they would be on the maximum rate.

Senator MARK BISHOP—Okay. Shift up to $30,000 or $35,000. If you have two or three kids, you haven't got much left at the end of the week, have you?

Senator Vanstone—No. You also said, 'to find on a Thursday'. It is not required to be found on a Thursday. It is offset against next year's entitlement.

Senator MARK BISHOP—Yes, but it is repaid. If you are repaying, you are paying fortnightly—

Senator Vanstone—Yes, it is repaid, but these estimates are televised up into the gallery and I could easily see, if a journalist is turned off now, you making the assertion that this is a heartless government that wants to say to low income workers they could have a $300 debt and pay it on Thursday. You know and I know that that is not the case.

Senator MARK BISHOP—I was not asserting that. You should not say I was asserting that.

Senator Vanstone—You did say that.

Senator MARK BISHOP—I was not asserting that.

Senator Vanstone—You did.

Senator MARK BISHOP—I said that if you have a $300 debt that has to be repaid fortnightly, and it is deducted out of the next 26 pays, that is a heap of money to come out of your pay at the end of the fortnight.

Senator Vanstone—Privately I will come back to you, because I think at one point, maybe unintentionally, you did say 'you have to find that money Thursday'.

Senator MARK BISHOP—I meant the repayment.

Senator Vanstone—I am not trying to have a have a go at you here. That is what I thought you said.

Senator MARK BISHOP—I meant the repayment.

Senator Vanstone—In any event, as for low income workers, listen and I'll tell you who they are going to work for because, as you well know, low income wages fell under the last period of Labor government by something like five per cent. Low income wages—that is, the minimum wage—have increased under this government by more than eight and I think it is up to nine per cent. So I know who they are going to be ticking for.

Senator MARK BISHOP—Yeah, and I think you might have imposed a fairly heavy new tax system on them that is costing them a few bob as well.

Senator HERRON—Madam Chairman, I quite enjoy this discourse but it is hardly the place for an estimates committee, Senator Bishop, with respect.

Senator Vanstone—Well, I think it is.

Senator HERRON—They are questions about the budget. It's a very interesting discourse, but I want to be out of here by 11 o'clock tonight.

Senator MARK BISHOP—You will be, Senator Herron. I can assure you of that. I've been discussing it with your minister, for goodness sake. Can we turn to page 9 of the document.

Ms Vardon—Would you like me to just put a fact on the record?

Senator MARK BISHOP—If you don't mind.

Ms Vardon—The actual number of staff in the families queue who were put on between April and July was 363. With that number, 216 were temporary and 147 were permanent. So the extra establishment was on by July 2001.

Senator MARK BISHOP—And there were no extra staff employed thereafter?

Ms Vardon—No. The head of the call centres is here and she has just said no.

Senator MARK BISHOP—All right. What was the figure again, sorry, Ms Vardon?

Ms Vardon—From April to July 2001, 363 extra staff were put on in the families queue, of whom 216 were temporary and 147 were permanent.

Senator MARK BISHOP—That is consistent with this document and consistent with our earlier discussion. We said that around 400 extra staff were put on for the reconciliation process in excess of the implementation. Thank you for confirming that.

Senator Vanstone—I do not see that as any great rigmarole. If you design something that has a reconciliation evaluation process at the end, you are necessarily going to be taking on people at that time to get over that hump of work.

Senator MARK BISHOP—I do not think you anticipated the scale of the reconciliation process. I think you might have thought it was going to be a factor of three or four or five per cent, not up to 40 per cent, and that is the point of this discussion. I do not think, with due respect, that Ms Vardon's organisation anticipated the unders and overs of that scale, and that's the point of discussion.

Senator Vanstone—Given that its new ground, I think they have done a damned good job.

Senator MARK BISHOP—Turning to page 9, there is a reference to some of the mechanics that would be involved—arranging to call, queuing customers, flying squads, Saturday office openings, eliminating, preventing, minimising normal work and the formation of a national commander control group. In my view, they are all fairly radical measures to cater to a big task. Why were these extraordinary measures required?

Ms Vardon—I am sure that Grant wants to answer that. We were concerned with the notion of a flying squad within our organisation. It would not be something that we would have everywhere. But we certainly would anticipate that, with any big project, our staff would be ready to deliver extended hours if required and special extra people in teams if required. So our organisation is always on alert when something is happening, and we bring into play remedies that might make sure that the customers get served properly.

Senator Vanstone—The bushfires would be an example of where there was a sudden need, and just get advice, They are opening on some Saturdays to—

Senator MARK BISHOP—Yes, but that is unanticipated. This is planned and deliberate. There is a difference.

Senator Vanstone—With respect, what you are talking about is a document, but Centrelink is planning to accommodate the busy times when reconciliations would occur. So it was not a surprise; it was expected that there would be—

Senator MARK BISHOP—You were making the analogy to a bushfire when someone suddenly calls up and you need to have extra firemen.

Senator Vanstone—No, it was simply to advise you that Centrelink, in a whole variety of ways, will open on Saturdays and do whatever is needed to get the job done. That is all. They do get the job done very well, don't they?

Ms Vardon—They do.

Senator Vanstone—See? We agree.

Mr Tidswell—Senator, if I could just elaborate on the dot points that you have outlined there. It is clear that there was going to be a lot of workload associated with this process. It was new, it was different and we were not sure how it would work. Win, lose or draw, we anticipated people would be curious about how it was going to work; the interaction with the tax system; and, for all of our staff, the newness of understanding how all these results would pull together. So a lot of our planning and thinking was also just the part of the process itself, not necessarily as a result of overpayments or other issues in relation to that area. So it was the newness of the system and the need to be at our best to deal with the demand and to focus on what we saw were some of the critical issues.

Senator MARK BISHOP—What is a flying squad?

Mr Tidswell—I cannot really answer that. That bamboozles all of us.

Senator MARK BISHOP—They were in Great Britain in the 1980s—

Mr Tidswell—I suspect it was groups of more qualified staff who would be able to go to particular offices to help out. But I have to seek advice about exactly what was intended by the author.

Senator MARK BISHOP—To help out in the case of unanticipated demand?

Mr Tidswell—Increasing workload or not understanding the machinations of the process or complications with all sorts of stuff.

Ms Vardon—It was a term applied by Pacific Central to refer to people on stand-by who were available to go and help. It is a dramatic term but not an unusual concept.

Senator Vanstone—Just as a matter of interest, I think it is a fairly commonly used term. I am familiar with it in the context of federal elections. We gather the Young Liberals together, marshal them into a flying squad and they do what they are asked when they are asked. They go from place to place, as needed, with their expertise, which happens to be that they are good foot soldiers and strong people who can climb up trees and put up posters. They do a range of things that probably the Young Labor people would do for you—if you have any young people interested in the Labor Party at the moment.

Senator MARK BISHOP—Do you use them for the state branch in South Australia?

Senator Vanstone—I am not familiar with branch stacking, and it is not much of a problem. We will go down that road another time, not when Senator Herron is here. I will just make the point that people who lose often refer to branches being stacked. Sitting members, of course, do not regard all of their friends who have been built up over the years in the branches as stacking. When a new person comes in and brings some people in, it is suddenly a stack. I think we could talk for hours about an influx of new members is a stack and when it is just new people moving in, demonstrating their interest and wanting to keep hold. We do know, however, that large batches of particular ethnic groups are assigned to various branches in the Victorian Labor Party. We can have a long discussion about that.

Senator MARK BISHOP—I did not know that. I think we know that there are large numbers of Young Liberals who can be moved from branch to branch in various states.

CHAIR—Can I encourage both the minister and Senator Bishop to proceed?

Senator Vanstone—I was just pointing out that 'flying squad' is not an uncommon term.

Senator MARK BISHOP—It is not an uncommon term, but they were a series of fairly extraordinary measures. Why were they required?

Mr Tidswell—I think I answered that in my previous answer—that, basically, we had a new component of the system that we had never gone through before and so we wanted to be on alert to make sure that we had everything in place—to answer customer inquiries, to deal with the more complicated cases. As this document also points out, a lot of the workload would be dictated by when the customer lodged their tax return, not by when we did the process. So we were predicting issues where there would be great peaks in demand.

Senator MARK BISHOP—That is right. You have that extra demand, but that extra demand does relate to large numbers of families coming to understand that they have incurred this debt which they had not understood. These measures are really designed to allay those concerns, are they not?

Mr Tidswell—They were designed to allay that but also other issues. You could get a nil adjustment and still be upset with the result. So we needed to help families understand how it was arrived at. It is a complicated calculation, quite a tricky calculation about pulling together family income for a full 12-month period and measuring that against the sum of entitlement they received. So there was a lot of knowledge base for our staff and then the requirement to explain that to the customer.

Senator MARK BISHOP—But the scale of the demand is what surprised you, the large number of inquiries deriving from the large number of unders and overs in time. The unanticipated large demand is what led to this series of measures having to be put in place. Isn't that the case?

Ms Vardon—Can I just refer to the fact that we are a very large organisation. We have 6.3 million customers, and during any year we implement seven or eight policy changes. This was the biggest policy change that was on the table. It behoves us, as an organisation, to be ready. It is not unusual for us to have people on stand by ready to open on Saturdays. This does not stand out as something wildly exceptional. It is how we run our business, by being ready to anticipate whatever it might be that we are going to be facing.

Senator Vanstone—I bet if they did not have them, you would say, This was a new system. You must have expected problems. Why didn't you have a team of specialists to go around and handle the things when needed? Why did you not take more people on?' This is a no-win situation here. It is a new policy and Centrelink get ready for a consequence of the policy, which is a reconciliation at the end of the year. They do everything you could reasonably expect and you come along and say, 'Why did you do all that? It seems like a bit too much effort.'

Senator MARK BISHOP—No, I don't say that. What I am saying is this: as a consequences of your policy, the scale of the demand was greatly unanticipated. That related to the large number of unders and overs—700,000—and all of these measures could have been avoided if there had been proper design given to the policy. That is my argument, not that they are not doing a good job under the circumstances.

Senator Vanstone—Where your argument is entirely short is that you have not come up with the proper design of the policy that would allow all the benefits that this one offers.

Senator MARK BISHOP—It is not the job of estimates committees to come up with policies. You know that.

Senator Vanstone—Exactly, but you cannot assert that there is a 100 per cent perfect policy out there that provides all these options without actually indicating what it is.

Senator MARK BISHOP—I can assert that there is a 40 per cent failure rate.

Senator Vanstone—You can assert it, but there is a 40 per cent, roughly—

Senator MARK BISHOP—You regard a 40 per cent unders and over rate as acceptable; you regard that as a system with integrity. I do not.

Senator Vanstone—I am happy for you to come up with your version of a better system. You have to consider that over 50 per cent of these were under $300 and we are talking about people getting thousands of dollars of benefits. Given that they get the choice of having it fortnightly as opposed to the end of the year, this is a system that has equity between customers. They are paid the same benefit whether they choose the tax system or the Centrelink system. They are paid the same amount if they have the same income and the same children. That is a better system. I think the small percentage of debts that are at the high end

have been blown way out of proportion. There has been almost no credence given in the media or in this debate to those people who have not advised in some cases—I think I saw one this morning—of a doubling of income, and there has been no advice. I do not have sympathy for that family having an overpayment—I have no sympathy at all.

Senator MARK BISHOP—You are raising these side issues. I am not raising them and attacking or defending people who may or may not have been engaged in fraud or overstating their income. My only complaint is the scale of the error. You raise these blinds to say that everything else is working well and really it is only one or two per cent, and every one is under $300. But it is the scale of the error that is built into the system that I am attacking.

Senator Vanstone—We keep going around here because you call it an error and I say—for example, 50 per cent are under $300 compared with thousands of dollars in payments—that this is not a design flaw or an error, and you think it is.

Mr Sullivan—In the last estimates, there was quite a discussion about those clients about whom we felt there would be stability in this payment and those quite large numbers of clients where there may be instability. The only benchmark where you can say whether overs and unders are errors or not is the tax system itself. The tax system tries to estimate for each of the taxpayers of this country how much tax is due and payable. The numbers of people in this country who get zero assessments is minuscule—you get refunds and you get bills. Regardless of whether people are on provisional tax, PAYE or whatever—all the ways that we attempt to estimate and collect tax; the tax system in itself is close to 100 per cent of population—they do not reconcile at the point of assessment. And this is exactly that: it is about—

Senator MARK BISHOP—It is—

Mr Sullivan—that group who are in the volatile area of the income where tax rates and income variations see movement and we are not reconciling. I think we are probably as good as the tax system. To call it an error, I think it is just the fundamental difference that we have.

Senator MARK BISHOP—To some extent, I agree with you, Mr Sullivan. The roots of the problem, as we identify them, lie in the shift away from an established social security type conceptual system to a tax system, which involves reconciliations, unders and overs, ups and downs. That necessarily flows, I accept that; what I do not accept is the scale.

Senator Vanstone—As Mr Sullivan has just pointed out, the scale would be very significant in tax, and you know my view. When someone has a $20 over or under payment compared to thousands of dollars they have received in payments, to call that a design flaw or error is to misconceive the whole notion of the system. I am happy to listen to Labor say they will go another way. I will just keep listening to what other way it is they would go.

Senator MARK BISHOP—We agree to disagree on that. Mr Tidswell, who decided not to proceed with the strategy as set out in the FAO document?

Mr Tidswell—I am unclear of the nature of your question, Senator.

Senator MARK BISHOP—In terms of the tax stripping.

Mr Tidswell—I think Mr Henry would be in the best position to answer that question.

Mr Henry—It is a decision of government.

Senator MARK BISHOP—Who communicated it to you, Mr Henry—the minister?

Senator Vanstone—It was probably through the normal cabinet advisory processes. I may have made a phone call on the day, but I do not recall doing so. I do not normally. When I have matters for decision I assume the normal processes work.

Senator MARK BISHOP—So you are advising that it was a cabinet decision?

Senator Vanstone—The whole process was dealt with through cabinet.

Senator MARK BISHOP—Can you advise when that decision was made?

Senator Vanstone—I would have to go and check. The final decision was quite late. This issue—I think Mr Howard made this point at some time—was not new. This was no surprise. And I have said this on plenty of occasions: when I got the portfolio, people indicated that this was a task that we would face, the reconciliation task, and it had been considered in various ways over a period of time. In fact, I think I gave an answer in the Senate on this issue at some point, and someone thought I had misled the Senate—I do not know if you were there that day—or it might have been at an interview that someone said I had misled the Senate. I said, 'When things are under consideration, the proper answer to give is that the policy as it stands at the moment stands. And even though there might be a variety of things under consideration, you are not doing the right thing if you canvass the things under consideration when your question relates to what the policy is.' It is only when the decision has been finally settled and the i's dotted and the t's crossed that you can, especially when it relates to the income estimates for example.

You can imagine if, half-way through the year or three-quarters through the year, a minister said something like, 'I don't know; we might consider a waiver.' Do you honestly expect that everyone would report any increases in income if there was a possibility of a waiver? Let me help you with my answer to that—no would be the realistic estimate. I personally felt quite constrained at the time. Things were under consideration but it just was not appropriate to discuss them.

Senator MARK BISHOP—You say cabinet made a decision. It would have been communicated to the department in the normal course of events. When was the department so advised, Mr Henry?

Mr Henry—Immediately at the end of June, beginning of July.

Senator MARK BISHOP—So 30 June?

Mr Henry—I would need to check the exact date. I think it was the 29th. My recollection is that it was the Friday, which I think was 29 June.

Senator MARK BISHOP—And were you advised of the concerns that led to the termination of the strategy set out in the document or is that getting into—

Mr Henry—I think that is getting into questions of policy that I really could not answer. It is government which decides on the policy that we follow, and Mr Tidswell and I are there to implement that.

Senator MARK BISHOP—You are indeed. So you were advised by a cabinet officer that the decision was made and you proceeded to implement it. But you would have given reasons for that change in strategy to the agency, and the agency indeed would then have given reasons down the line, wouldn't they?

Senator Vanstone—Not necessarily.

Mr Henry—I do not think that is a necessary process at all. Once the government had decided that tax refund offsetting was not to occur, I do not think I was there to debate the question.

Senator MARK BISHOP—No, I am not asking you to debate. I do not know, but I presume reasons are given to a department when they are instructed to implement a decision. They are not asked to review it or to question it.

Senator Vanstone—I do not think it is revealing any cabinet secrets to say that the cabinet decision documents that I see do not usually expound the reasons, though they are part of cabinet's discussion or any subcommittee of cabinet's discussion. I found them almost cryptic sometimes. It is just a note of a cabinet decision; that is, the formal written note. What the cabinet officers pass on I do not know. Not in the time I was first there or since I have been back have I thought that a decision would be conveyed with reasons. And that is not an offhand or closed shop attitude on the part of government. There would be only a few occasions that I have been at where there have been cabinet discussions where public servants have not prepared the issues for consideration. They are acutely aware of the pros and cons of different opportunities and difficulties. It is not as if they are new to the situation; they are the ones that provide cabinet with a whole range of information.

Senator MARK BISHOP—I take that point.

Senator Vanstone—So that is why it does not happen. It is not a case of you cannot know. They knew before cabinet did, in that sense.

Senator MARK BISHOP—Before we move on to the issue of the $1,000 waiver, will the strategy as outlined in the FAO document be put into effect this year?

Mr Tidswell—Obviously it will be different according to the circumstances we now face. We are more familiar with the process and are more aware of what will occur, but a lot of the elements that would be in that strategy would become part of the base of the program. The issue that would mostly concern us is the periods of demand as people lodge taxation returns—September, October, November—when there is a high level of peak activity.

Senator MARK BISHOP—That leads to a more particular question: will recovery occur automatically through tax returns, as was initially planned?

Mr Sullivan—That is a decision that needs to be taken. That is a year-by-year-decision which is subject to the Commissioner of Taxation and me.

Senator MARK BISHOP—And that decision has not been made for this year?

Mr Sullivan—No.

Senator MARK BISHOP—When do you expect to be making that decision, Mr Sullivan?

Mr Sullivan—Before income tax assessments for the current year are issued. They start being issued from about July of the next financial year. We would need to decide before then.

Senator MARK BISHOP—So prior to July?

Mr Sullivan—Yes.

Senator MARK BISHOP—So if this issue comes back for budget estimates in early June, you are likely to have had your meeting with the Commissioner of Taxation and come to a conclusion.

Mr Sullivan—It is running fine, so we may have.

Senator Vanstone—If they had not, they would not have much time left to do it, but they still have time left to do it.

Senator MARK BISHOP—Mr Henry has given me a ballpark figure—sometime between now and 30 June. Can you can be more particular than that?

Mr Sullivan—No.

Mr Tidswell—Senator, I have got an answer to an earlier question of yours in relation to the document that you have, and you have now given me a copy of it. We held a FAO coordinators conference in the last couple of weeks of May.

Senator MARK BISHOP—Which coordinators?

Mr Tidswell—We held a Family Assistance Office coordinators conference in Canberra, and the author of this document and other coordinators from around Australia would have attended that conference. They would have been given verbal briefings from a number of officers on program content of the particular issues surrounding family tax benefit and child-care benefit, resourcing issues, call centre impacts and a variety of other bits and pieces of information, so that they could go back and do their local area planning. We suspect that the document before us was a product after that conference, pulled together from various presentations.

Senator MARK BISHOP—When was that conference convened?

Mr Tidswell—The date I have got here is the last couple of weeks of May. I would suggest that, since this document is dated 21 May, it was about a week or so before.

Senator MARK BISHOP—Thank you. When was the $1,000 waiver first mooted—first proposed?

Senator Vanstone—I think that is a very difficult question to answer, not only because I do not have the dates but because it might be going to cabinet discussions. If, for example—just for example—you considered an alternative waiver figure of, say, $500, would it be relevant when $1,000 came in? Your question might be, 'When was a waiver first considered?' and then you would necessarily go into detail of cabinet discussions. So I think that is very hard. It is a bit like the rolling clients. Decisions are not always handled at any one meeting and are therefore not necessarily dealt with in whole at any one time, and they might change as well. Once you start getting into cabinet decisions, and when and how they are made, I think it is a bit hard. Let us just take it that when the final decision has been made then that is the decision and leave it at that. When you ask 'When was it first mooted?' you want to go back into the cabinet process. That is what I am trying to say.

Senator MARK BISHOP—No, I understand the point you are making about the cabinet processes. I am not seeking to invite myself into that discussion. But I presume it would have been discussed informally either within the department or between a number of departments prior to it coming to cabinet.

Senator Vanstone—I cannot answer for bureaucrats. I can answer as I did when it was raised with me before. This was one of the first issues raised with me when I moved to that portfolio, which was effectively February 2001. I had very early discussions with Minister Anthony on this issue. There were a number of discussions held about it over that period of time. That is why I think we are a bit indignant at Mr Swan thinking he had found something that we did not know about.

Senator MARK BISHOP—As you say, you got a briefing as the incoming minister, and you had some discussions with your colleague Mr Anthony. They went to the issue of the waiver even during those early days.

Senator Vanstone—I would not say necessarily that a written briefing went to the concept of a waiver. The concept of whether that would be the sort of thing one would look at came up in discussions with Mr Anthony very early on. But it was not a discussion such that I sat down and made a note of it. I am pretty confident Mr Anthony would not have done so either. It was just two ministers in the same portfolio saying there were going to be underpayments and overpayments. We were questioning what we knew about how big it was going to be in terms of numbers of people affected and whether we knew anything about the amount of underpayments and overpayments and the options that we might want to look at if we needed to look at any.

Senator MARK BISHOP—I might ask the department when they first found out about the waiver.

Ms McKay—We found out about the waiver when the decision was taken, Senator Bishop.

Senator MARK BISHOP—And when was the decision taken?

Ms McKay—In late June, as the minister has indicated.

Senator MARK BISHOP—But I think that is when the public announcement was made by the Prime Minister. In late June or early July the Prime Minister made a public announcement about a $1,000 waiver, and what a good fellow he was. But the department would have been advised of the decision prior to that.

Mr Henry—Yes, as we said, the decision was communicated to us at the end of June. My recollection it was on the Friday—which was 29 June, as I understand it.

Senator MARK BISHOP—I do not understand this reticence. The minister has advised that she received a briefing when she took over the portfolio. A range of issues needed to be addressed. One of them might have been the waiver. She early on had some discussions with Minister Anthony. It then progressed. It went formally through the cabinet process, and a decision was made. The Prime Minister made an announcement in late June. I do not understand your reticence to advise me when you were first advised, Mr Henry.

Senator Vanstone—But your question is: when was he first advised of the final decision? He has given you an appropriate answer and you seem unhappy with that. Your question might want to be: when did you first understand that a waiver might have been under consideration or possibly included for consideration? That is an entirely different question. Then you are getting into the cabinet process.

Mr Sullivan—And the interaction between us and the minister on policy advice.

Senator Vanstone—It is a bit hard you see. Many things often are very difficult.

Senator MARK BISHOP—Life is like that.

Senator Vanstone—Very philosophical, Senator.

Senator MARK BISHOP—I understand what you are saying or not saying there. Following the withdrawal of the previous strategy outlined in the FAO impact assessment, in particular the direct deduction of debts from tax returns, can you outline the process of discussions taking place concerning the new debt recovery process?

Mr Henry—I will start and Mr Tidswell and Mr Popple might want to add something. The two decisions we essentially had were that we would not proceed for that year with tax refund

offsets and that we would institute a $1,000 waiver. The process that then occurred was a very intensive process with our providers as to exactly how that would well and quickly be put in place. That took place particularly over the month of July but then further. There was also the process, as you would be aware, of putting forward legislation relating to the waiver, which was passed on 27 September. But it is largely a system type change and was, from Mr Tidswell's point of view, a process of the kind that we have been talking about of informing the staff across the Centrelink network of the implications of the decision and how it would be put in place. I actually thought it was a very excellent process of interaction between ourselves, Centrelink and Taxation in terms of getting this thing ready to be put in place, because we could not put the waiver aspects into place without legislation.

Senator MARK BISHOP—So the discussions were between the department, Centrelink and ATO. Is that correct?

Mr Henry—In a primary sense we also have our other provider, the Health Insurance Commission, but in the nature of the design of this I think the most intensive discussion was between ourselves, Centrelink and the Australian Taxation Office. I am very grateful for the way they performed.

Senator MARK BISHOP—Were there other agencies or departments involved in those discussions?

Mr Henry—Not in the implementation of the decision, that I can recall. Unless Grant or Jeff can remember any others, it was down to us.

Senator MARK BISHOP—Correct me if I am wrong, but the decision was made to recover debts using normal procedures; that is, a debt notice would be sent to families?

Mr Tidswell—That is correct. We had to move very quickly once the decision was announced, because we switched off the capability of tax offsets. In the second week of July we would have started doing that in the normal course of events. Effectively, every overpayment recorded was parked on our system awaiting the passage of legislation and policy parameters.

Senator MARK BISHOP—When was that decision signed off on—the changed debt recovery process?

Mr Tidswell—We were told on 1 July, and we had to move very quickly to implement.

Senator MARK BISHOP—When did you conclude your preparations on that?

Mr Tidswell—I would have to take that on notice; I do not know that offhand. But we obviously had to have it in the system to ensure that the overpayment letters did not just flow out minus the intention of having the waiver.

Senator MARK BISHOP—What was the anticipated time line for the release of the debts and the letters?

Mr Tidswell—In the normal course of events, in the second week of July every year there is a period of time when ATO test their system. We were party to that test of the system. Thereabouts, in the second week of July, as people lodge tax returns, results would have flowed through. So the distribution of letters or how they would have gone out would have been a product of when people actually lodged their tax returns.

Senator MARK BISHOP—In terms of issuing debt notices—

Mr Tidswell—Under the normal course of events, before the announcement of the waiver the notices would have been distributed to people as evidence of their reconciliation result.

Then if they did not take some action we would send out some withholding letters and other correspondence. So it would have been an automated process, largely driven by when a family lodged their taxation return.

Senator MARK BISHOP—What was the anticipated time line?

Mr Tidswell—Before the announcement of the waiver it was—

Senator MARK BISHOP—No—after, with the new—

Mr Tidswell—It was subject to the passage of legislation. It was as quickly as the legislation could get drafted and submitted in the normal processes of government.

Senator MARK BISHOP—The planning was from the date of passage of the legislation and proclamation, was it?

Mr Tidswell—Yes. We parked the overpayment results, pending the passage of legislation and all the other bits and pieces we needed to put in place.

Senator MARK BISHOP—Didn't the initial time line schedule 17 September as the first release of the FTB debts? Didn't the time line refer to the fact that debts would start to be unparked?

Mr Tidswell—Again, you may have some correspondence that I am not privy to. That was never the case because we did not know when legislation was going to be passed. We have four system releases a year where we do these major system changes. One of those was in September. That date may well have been the date we queued the release of those letters. It was always subject to legislation. We had nowhere to go without legislation, and that is always a difficult thing to predict.

Senator MARK BISHOP—Yes. The document I have is headed 'Transitional arrangements $1,000 waiver.' It identifies 17 September as 'major system release, FTB overpayments unparked.' I take it that you are confirming that?

Ms Vardon—No, he is not confirming it. He is confirming that it was part of the plan, but legislation was—

Senator MARK BISHOP—That is right; the legislation did not get passed until 11 October. I understand that. That is correct. It was originally intended that the letters would be unparked on 17 September, and that had to be put back because the legislation had not been passed. The legislation was eventually passed on 11 October.

Mr Tidswell—Effectively. I am not sure what document you have there, but the process would have been that we would have scheduled in the September systems release the ability to unpark the debts and apply a waiver of whatever amount parliament agreed to. Therefore, we were building that in our capability at that stage. The currency of any of these system releases lasts only a certain period of time and then you need to wait till the next one, and the next one would have been in December.

Senator MARK BISHOP—Why did the department want to market test those letters?

Mr Tidswell—The letters in question, rather than just being overpayment letters, were actually the core of the reconciliation process. The letters contained details of the family income supplied from the Australian Taxation Office, details of the entitlement received in the full period of that financial year and details of what the family was entitled to based on their actual taxable income, and then a result was delivered at the bottom of the page. On the back of that page there were a whole lot of other variations according to how people would pay back their overpayment if they had such an overpayment. They were very complicated letters.

They were at the core of the whole reconciliation process. We would never distribute letters of this ilk without detailed market research to make sure that they were going to reach their target audience and be received well. The market research we conducted confirmed that we needed to make some changes to both content and some other key messages in the letter to ensure that we encouraged families to update their estimate and keep it up to date.

Senator MARK BISHOP—Who made the decision to market test those letters?

Mr Tidswell—Minister Anthony.

Senator MARK BISHOP—Were you informed as to why Mr Anthony wanted the letters market tested?

Mr Tidswell—We provided drafts of the letters prior to the passage of legislation and indicated that we had not had time to market test them. There was always going to be some difficulty in respect of whether there was going to be some major changes through the parliamentary process. The advice we received was that these tested quite sensibly and needed to be market tested.

Senator MARK BISHOP—Had any market testing been done prior to the issue of an instruction by Minister Anthony to market test the letters?

Mr Tidswell—We had done some market testing prior to July because the original batch of letters was designed for the whole reconciliation process. From July onwards, we sent out letters to families advising them of their top-up results. These were largely similar letters with detail of family income and entitlement received and, in this instance, top-ups—extra entitlement. We tested that batch of letters, but the next batch of letters were all about the application of a waiver, and we had also introduced some more flexible recovery options which had not been a feature of the system before, and we needed to test the validity of the letters. So there were a number of parameters that were substantially different from the letters we had market tested before July.

Senator MARK BISHOP—So the letters post-September were significantly different from the letters pre-July, and the pre-July letters were market tested as a matter of routine. When you took the subsequent letter to Minister Anthony for approval, he issued an instruction that they be market tested.

Mr Tidswell—Yes.

Senator MARK BISHOP—How long does market testing normally take?

Mr Tidswell—It can be organised within a reasonable period of time. What we tend to do is get representative groups of families gathered together in a venue, show them copies of the letters and run focus groups. So it is about engaging a consultant, and organising participants to attend; it is about the write-up and the evaluation and then the presentation of new letters. I would say from the shortest period of time to do something of this ilk can take four weeks.

Senator MARK BISHOP—How long did it take in this instance?

Mr Tidswell—The advice that we provided was that the currency of the system release would mean that we would be unlikely to get the market testing done in a period of time before we had to revert to the December release date. In this instance, I think the length of time it took was about two weeks, but we market tested those letters in November.

Senator MARK BISHOP—In two weeks?

Mr Tidswell—We market tested those in November.

Senator MARK BISHOP—That is extraordinarily quick, isn't it? It was two weeks from beginning to end?

Mr Tidswell—That is my recollection.

Senator MARK BISHOP—You did the testing in the first two weeks of November?

Mr Tidswell—I do not know the exact detail. I have a report here of the market testing. I would have to take that on notice as there is no date on the bottom.

Senator MARK BISHOP—After 17 September was closed off, the letters were parked because the legislation had not been passed. The next date was put back to 8 October, and again the legislation—

Mr Tidswell—That is not correct. The latest date for the delivery of those letters would have been 8 October. As we had missed the ability to do the market testing and the work that we needed to do—to reformat the letters and retest them—as soon as we made the decision that they needed to be market tested, the delivery date of 8 October was no longer feasible and it then reverted to a release schedule in December. My recollection is that the earliest that those letters could have been put together was the second week of December.

Senator MARK BISHOP—So we are putting back the date when the letters were sent out and making a decision to market test—that is done in early November. You would not have printed any of the letters or envelopes prior to getting the results of the market testing, would you?

Mr Tidswell—We would have just produced some dummy letters for families to look at them as examples—but they would be in the format.

Senator MARK BISHOP—But not tens of thousands?

Mr Tidswell—No, we did not produce these letters until 14 January.

Senator MARK BISHOP—Okay. After the market testing of the letter was concluded, was the report delivered to the department or to the minister?

Mr Tidswell—The report was delivered to us. We commissioned the work, and the end product was the production of the letters.

Senator MARK BISHOP—So the report was delivered to the commissioning department; a report was given to the minister, I presume?

Mr Tidswell—The details that I have before me are that on 20 December we supplied a ministerial submission to confirm the delivery dates of the letters, advising that the preferred date of distribution was 14 January.

Senator MARK BISHOP—The time lines are intriguing in all of this business. In early November we have an election; the letters are parked and they do not go out until 14 January. So was the timing of the election and the market testing and distribution of the letters a material consideration?

Mr Tidswell—Not to my knowledge. It is literally the constraints by which we operate that we do this sort of work four times a year in March, June, September and December. If you miss a date, if the currency of that system release goes beyond a period of time, you need to wait until another major release cycle, when you do a lot of testing to get them right. These are very complicated letters and the last thing we wanted was the wrong letters going to the wrong people for the wrong amount.

Senator MARK BISHOP—I understand that point. Is it always the case that if you miss a release date, which I think you said were in January, April—

Mr Tidswell—March, June, September and December.

Senator MARK BISHOP—If you miss a release date in routine correspondence, is it always the case that you delay the implementation until the next release date, or is it customary to do it when you are able to?

Mr Tidswell—It depends on the size and the scale of the release. Because the system is constantly evolving and changing, for something of this magnitude affecting so many people so critically you would only ever do it in the confines of a major release cycle, where you had all the testing arrangements, all the capability directed to getting these letters right. I can assure you that they took all the time up until 14 January, and we were still having problems almost to the day before the release date, because of the complexity and all the various things that can go wrong. So it is the nature and a feature of the complexity of our systems.

Senator MARK BISHOP—When did the minister request that the market testing be done? Do you recall that date?

Mr Tidswell—We supplied some advice to Minister Anthony on 18 September.

Senator MARK BISHOP—Right.

Mr Tidswell—And I am just looking now, and I note that Minister Anthony replied on 24 September.

Senator MARK BISHOP—Minister Anthony replied on 24 September, requesting you to market test?

Mr Tidswell—That is correct.

Senator MARK BISHOP—But you did not arrange for the market testing from 24 September to be done during October; it was to be done in November. Why was that?

Mr Tidswell—We advised the minister in the correspondence of 18 September that, if we went to market test, seeing that we had only a few weeks of the currency of that September release available, the next delivery date would be in January 2002, and we had no intention of market testing the letters in the caretaker period.

Senator MARK BISHOP—Was that always your position?

Mr Tidswell—That is correct.

Senator MARK BISHOP—You were advised on 24 September to market test by the minister; shortly thereafter you enter the caretaker period and everything goes on hold in October. When do you market test—the first two weeks in November?

Mr Tidswell—That is my recollection. The date on the document says November. I do not have the particular dates, but I can supply that information for you.

Senator MARK BISHOP—The first two weeks of November would still be part of the caretaker period, wouldn't they?

Mr Tidswell—Yes. It was after the election.

Senator MARK BISHOP—It was after the election?

Mr Tidswell—Yes.

Senator MARK BISHOP—Did you have any concern that the delay in the issuance of the letters from September to January would have any impact on either of the major political parties?

Ms Vardon—It was not a consideration.

Mr Tidswell—It was not a consideration.

Senator MARK BISHOP—But you said that you were not prepared to action anything in the caretaker period.

Ms Vardon—But that is the tradition.

Senator MARK BISHOP—That is the tradition, yes, but the distribution or not of a letter like that would have had a significant impact on both the government and opposition parties, wouldn't it?

Ms Vardon—I think that is speculation, Senator, and we should not do that.

Senator Vanstone—You have been told that it would not have happened in the caretaker period, full stop. The caretaker period is a very difficult time for opposition and for government, frankly. It is a pain in the neck, but it happens for good and proper reasons. For example, if I sat down and racked my brain, during that time I would probably find there would have been no more than five occasions when I spoke to a departmental person—other than ringing my office and Renee Lowe answering the phone. Over five weeks, that is quite extraordinary compared to the day-to-day contact that normally goes on.

Senator MARK BISHOP—Are you saying that you had only five contacts with the department in the caretaker period?

Senator Vanstone—As I said, if I racked my brain, there would be very few contacts that I had, and I would have thought that my office would have had very few as well. You get involved in campaigns—you know what it is like—and you are out there focusing on the lower house seats. There is very little, if anything, you can get done that has not been signed off and cleared and on the way before that period starts, so there is not much point. We would have sought some advice on a couple of points as to matters of fact, but not much. I would say that it was quite exceptionally low. That was also true in the 1998 election. The 1996 election did not matter, because I had only ever experienced opposition then and the limited contact with the bureaucracy did not matter to me. The limited contact with the bureaucracy during the caretaker period, when in government, was a surprise to me.

Senator MARK BISHOP—I take that point. I understand the comment you are making that, during the caretaker period, you did not want to make a decision on the issuance of such correspondence—which, I think it is fair to say, could be regarded as controversial. But surely the non-distribution of same correspondence does given an advantage to the government parties?

Ms Vardon—It would not be proper for him to speculate.

Senator Vanstone—I think the argument that you may want to run on the basis of your question has been quite thoroughly aired.

Senator MARK BISHOP—The FAO has put together a document called the outbound call process kit. Are you familiar with such a document?

Mr Tidswell—Yes, I am.

Senator MARK BISHOP—Can you, in broad terms, put on the record what such a document is?

Mr Tidswell—The document was provided to our network staff to give them advice about how to handle the outbound call strategy. As soon as we were aware that the waiver would apply and that there was going to be a delay in the issuing of overpayment letters, we put forward an outbound call strategy designed to contact those families. It was to alert them to the fact that they had an overpayment and that the government intended providing a waiver, when that was likely to occur, how that would work and then talking to them about their current year estimate.

Senator MARK BISHOP—Who was responsible for drafting that document?

Mr Tidswell—It was an officer in my area.

Senator MARK BISHOP—What is his name?

Mr Tidswell—His name is Shannon Paull.

Senator MARK BISHOP—Did he draft that document under your instruction, Mr Tidswell?

Mr Tidswell—That is correct.

Senator MARK BISHOP—What involvement did the minister's office have in that document, if any?

Mr Tidswell—I cannot recall any direct involvement. Again, these are operational matters where we have the policy parameters set and go forward and produce documents to inform our staff about how to do the things that they need to do.

Senator MARK BISHOP—Can you assure the committee that the minister's office had no involvement?

Mr Tidswell—I would have to seek advice on that, but my knowledge is that we would have signed off within our area and probably would have discussed the matters with our partner agencies and with Family and Community Services.

Senator MARK BISHOP—So you did not request any comment from the minister's office?

Mr Tidswell—Not that I can recall.

Senator MARK BISHOP—And no assistance or contact was initiated by the minister's office?

Mr Tidswell—Not that I can recall in this particular document.

Senator MARK BISHOP—Can the same be said of the officer who drafted the document?

Mr Tidswell—That would be my understanding.

Senator MARK BISHOP—So there was no involvement of this minister, Mr Anthony or ministers of any other departments in the preparation of that document?

Mr Tidswell—That would be my understanding. The policy parameters would have been set by government and we would reflect those in our operational document.

Senator MARK BISHOP—I just want to establish for the record what the situation is. On page 3 of that document, point 1.1 describes the process for contacting customers. In particular, customers with debts under $1,000, fully covered by the waiver, were to be contacted by call centre staff and customers with debts over $1,000 were to be contacted by

customer service centre staff, so there was that distinction made. Are you familiar with that differential method of approaching consumers?

Mr Tidswell—Yes, I am.

Senator MARK BISHOP—What was the purpose of the calls?

Mr Tidswell—As I outlined before, the first issue is to explain that you had an overpayment from the last financial year and the reason for that overpayment. It is then to explain that if you had a residual amount to pay back how you could manage to do that. The third item is to work with the family to get their estimate up to date for this current financial year.

Senator MARK BISHOP—Is that for checking the income estimates at credit point?

Mr Tidswell—Yes, and the distinction between the under and over $1,000. The sheer bulk, as you have heard earlier today, are families with debts under $1,000. We have greater capability in our call centre network to dial out and make contact with families, so they picked up that piece of work. The more complicated issues in terms of families that were required to pay money back, we had our CSC, customer service centre, staff geared up to take those calls.

Senator MARK BISHOP—Who made that decision to contact customers differently?

Mr Tidswell—That was a corporate decision we made in the carve-up of work. We had a hook-up with all our respective area managers at the call centre network, and devised the strategy.

Senator MARK BISHOP—There was a hook-up involving at least 16 or 17 people?

Mr Tidswell—That is correct, yes.

Senator MARK BISHOP—How many were involved in that hook-up?

Mr Tidswell—Twenty-plus, I would say, by the time you had a whole lot of people from central office and others on the line.

Senator MARK BISHOP—When was that hook-up done?

Mr Tidswell—I would have to get that piece of information for you; I do not have that.

Senator MARK BISHOP—Can you provide that to us?

Mr Tidswell—Yes, I can.

Senator MARK BISHOP—You had a phone hook-up of all your area managers?

Mr Tidswell—A good number of area managers would have been there. Sometimes they would have a deputy that would sit in for them.

Ms Vardon—And the call centre managers.

Mr Tidswell—Yes, and the call centre managers.

Senator MARK BISHOP—That meeting would have lasted some time. One of the points that arose out of that meeting was to have a differential approach—is that correct?

Mr Tidswell—That is right, based on the premise that over-1,000 calls would be more complicated, might require a face-to-face interview and could be more concerning for the family involved.

Senator MARK BISHOP—Which of the two means—either call centres or customer service centres—were better resourced to contact customers quickly?

Mr Tidswell—It is a difficult question to answer, because some areas applied themselves very quickly and got on top of the job, and other areas had more difficulties, maybe because they were inundated with other requests from other customers on other topics. Like anything we do, there was variability in performance.

Mr Bashford—Indeed, one of the reasons we did that hook-up was to determine exactly that thing: who was in a position to be able to do this, and whether face-to-face or over the phone is the most appropriate approach.

Senator MARK BISHOP—So you had that discussion in December as to who was best resourced and which path to go down. Was there a uniform view or was it different in every area?

Mr Tidswell—It was like a lot of these things: there were differing views, opposing points of view.

Senator MARK BISHOP—What was the decision?

Mr Tidswell—The decision was as you have outlined it there: under-$1,000 to be dealt with by the call centre, where the bulk of the numbers were, and the over-$1,000 by the customer service network. I should add that further along in the process, particularly when a whole lot of other workload impacts started to compound, we took all that work back to the call centre network to do, largely because we had the capacity and the ability to do that work. I will get the dates for you. We made a decision then to cease phoning, contacting and inviting customers to come in in our customer service centres, and did the rest of the work in the call centre network. We did that work between late September, after the legislation was passed, through to mid- to late December.

Senator MARK BISHOP—I understand that you had a meeting with all your people, options were considered and you decided to go down the twofold path—let us tick each of those points. Why were the better resourced call centres tasked with calling families with debts under $1,000?

Mr Tidswell—We did provide some money for the areas to do this; we had some money centrally to apply to this particular task. There was an issue of dollars involved—and the areas had a carve-up, according to their population base of families and customers—to do some of this work. There was an issue there where call centres got some money and the area network also got some money. The issue that changed, when we reverted straight to call centres, was that there was increased work demand in the customer service centres, and the call centres were not as busy at that point in time.

Senator MARK BISHOP—The call centres were not as busy at that time?

Mr Tidswell—We made the initial decision to go the way that we describe it in that correspondence. Subsequently, when the increasing workload came about—and I cannot remember all the events, but there might have been things to do with Ansett and what have you that put extreme pressure on our customer service network—a corporate decision was made to remove that activity from our customer service centres and get all that work done in the call centres, as we tend to do, as there are peaks and troughs in demand work.

Senator MARK BISHOP—Remind me when this was going on?

Mr Tidswell—We started this work in late September and went through into mid to late December and contacted about 150,000 customers. We were able to get through to some of them on the first occasion; others we had to send a letter to and ask them to return a call to us.

Senator MARK BISHOP—So you started in late September and went through to late or mid December?

Mr Tidswell—I do not have the date exactly in my head, but it was certainly before the Christmas silly season cuts in.

Senator MARK BISHOP—So you are doing this all through October and all through November and finishing off in the first two or three weeks of December?

Mr Tidswell—Yes.

Senator MARK BISHOP—What volumes were—

Mr Tidswell—I can give you those figures. We had 148,971 customer call attempts and 57,849 were successful, 57,844 were sent a letter and they returned the call back, and then another 33,278 we called but were not successful and we were not able to send a letter to them because of the timing close to the Christmas period.

Senator MARK BISHOP—So you managed to speak to 57,000 people over the phone?

Mr Tidswell—That was directly—immediate contact. It might have taken two or three calls but we got through to them. We sent a letter to another 57,000 to say, 'We tried to contact you. Please contact us; here is the number.' And a lot of those would have made contact. What I cannot tell you is the exact amount because they would have come through the normal call channel.

Senator MARK BISHOP—They were calling in, not out.

Mr Tidswell—Correct.

Senator MARK BISHOP—So there were 57,000—call it 60,000 for the sake of convenience—there were 60,000 you were successful in making phone contact with, and that was in the period from the end of September until mid-December. Is that correct?

Mr Tidswell—That is right.

Senator MARK BISHOP—Do you have records that show the daily success rate from when you started to when you concluded?

Mr Tidswell—I am not sure if we do.

Senator MARK BISHOP—If you have can you take them on notice and provide them to us?

Mr Tidswell—Yes, we will take that on notice.

Senator MARK BISHOP—Do you have any indication of when the bulk of the work was concluded? Of the 60,000 you made contact with, was 50,000 done in the first five weeks and the other 10,000 residual stuff, or what?

Mr Tidswell—I will take that on notice and supply it with the earlier question in respect to how the flow of calls went and numbers and success and otherwise. But I can assure that they have been very successful because a lot of families who have now got their overpayment letters have rung through and said, 'Got your call last time. Thanks for sending me the letter. Yes, I just need another little bit of information.' They have sorted it out. So there has been some very good reaction to us taking the initiative to make contact with families to assist them with the process.

Senator MARK BISHOP—What was the message that the operator gave to those families when they did get through?

Mr Tidswell—The message was clear to explain to them that they had an overpayment, to tell them how that overpayment was arrived at, to then also tell them about how the recovery arrangements would apply and then to talk to them about their current year estimate and how they needed to keep that up to date. I suppose what we have been trying to do as we get more sophisticated is say, 'Look, use your actual taxable income from last financial year as your base and work from that.'

Senator MARK BISHOP—Was there any mention in those discussions of the $1,000 waiver?

Mr Tidswell—Yes. We explained it to people. And that is the reason we had to schedule the calls after the legislation was passed to say that the government would waive the first $1,000 and this would be the residual amount that you would have to pay, or your total sum would be waived by that sum, but you need to keep your estimate up to date.

Senator MARK BISHOP—Were the calls prioritised in any way?

Mr Tidswell—In what regard?

Senator MARK BISHOP—You had a phone list of something of the order of 140,000 names and phone numbers. Over that period from the end of September through to mid-December you contacted something of the order of 60,000. It was done in all of your area centres and call centres around Australia. Was it done in an alphabetical list, was it done in a gender list, was it done in a socioeconomic list, or what was the basis?

Mr Tidswell—I will have to take that on notice. I would expect that it would have been reasonably random, but we can get that information to you.

Senator MARK BISHOP—Perhaps one of your officers knows.

Ms Vardon—Christine Hagan is general manager of the call centres. I was just wondering if she is able to help out on how was it picked.

Mr Bashford—She is advising that the larger debts were first.

Senator MARK BISHOP—Larger debts first?

Mr Tidswell—We will confirm that information on notice if we could.

Senator MARK BISHOP—Is Mr Bashford correct, Mr Tidswell?

Mr Tidswell—I would have to seek confirmation.

Senator MARK BISHOP—The officer is behind you—perhaps you could ask her. She is the manager of the call centres.

Ms Hagan—My understanding is that we started off with the higher level of debt. We started off with the under-$1,000 debts with people who had more than $500 debt.

Senator MARK BISHOP—So you started at $1,000 and worked down to $500? Is that what you are saying?

Senator Vanstone—That is not what I understood. I do not know what they did, but I understood from what was just said that, when we were contacting the people who would have their debt wiped out by the waiver, we did those with a debt over $500 first.

Ms Hagan—Yes—because they were more at risk in terms of income estimates.

Senator MARK BISHOP—How many of those were there?

Ms Hagan—I am afraid I do not have the actual figure here.

Senator MARK BISHOP—What was the next order of priority?

Ms Hagan—We found that we were getting a 25 per cent success rate with the phone calls that we were making outbound. We decided, after doing it for some time, that we would get a greater benefit for our staff if we actually went through and unpacked the results. So we went through people with debts and actually worked out how that debt arose, so that when the customer contacted us we would have a clear idea.

Senator MARK BISHOP—What does 'unpacked the results' mean?

Ms Hagan—It is not always easy to answer a question quickly when somebody rings up. Obviously, we were anticipating that, when the letters went out, customers would want to know how that amount was arrived at. To go through the customer record took some time. Rather than having the customers on hold for a long time on the telephone, we invested the time up-front in going through the customer records that were going to have significant debts and having a document ready so that when the customer contacted us we would be able to explain relatively quickly and simply.

Senator MARK BISHOP—They are the customers who contact you consequent upon receiving a letter. What I want to concentrate on and discuss are those where you initiate the call and you get through to them some time between the end of September and mid-December. Mr Tidswell explained the four-part message that the instructors are to give to the recipient of the phone call. You advised that the order of priority started with debts over $500. What was the next on the list?

Ms Hagan—As I said, our next priority was to do debts over $1,000. As Grant pointed out, at some point there was a shift. The call centres took over the work for the debts over $1,000; so our priority shifted to that.

Senator MARK BISHOP—And there was a set spiel that the operator had to give to the customer in terms of the waiver of the $1,000, wasn't there? What was that spiel?

Ms Hagan—I am sorry, I would have to take that on notice.

Senator MARK BISHOP—You do not recall what it was?

Mr Tidswell—The set spiel is in the document you have. The outbound core strategy should describe it almost word for word.

Senator MARK BISHOP—Yes, I know what it says.

Senator Vanstone—I am glad we have a lot of public servants here listening to you ask questions to which you already know the answers.

Senator MARK BISHOP—I would like to have it on the record. How many calls were made through the call centres to families with debts under $1,000 prior to 10 November?

Ms Hagan—I do not have those figures with me.

Mr Tidswell—I think we would have to take that on notice.

Senator MARK BISHOP—Did it not occur to you that we might be interested in that?

Senator Vanstone—I am chancing my arm here because I have not discussed it with them, but I do not think it occurred to Centrelink that someone would suggest—which I think is the direction of your questions—that they would have engineered a program in relation to contact of customers that was targeted to a particular election. And I am waiting for a question about whether there was any geographical focus—namely, into marginal seats. I think that is where you are going. I do not think they would anticipate that anyone would ask that. I think they would tell a government where to go if a government suggested that.

Senator MARK BISHOP—Minister, I find it almost inconceivable that the action of senior public servants ringing up tens of thousands of customers in an election campaign to advise them that the government of the day is going to waive a debt of $1,000 does not have some benefit or political consequence for either of the parties. I find it inconceivable that public servants would not consider that. If someone rang me and said, 'Mark, you have a debt of $1,200, and because of problems I am going to take $1,000 away, and you can forget about that,' I would be mightily impressed that the person initiated the call and told me that.

Senator Vanstone—If the call was from your local member, fair enough, you might be mildly impressed. But it is not; it is from a bureaucrat in Centrelink. If we had gone around to marginal seats and said, 'Psst, do you want to ring up and tell these people?'—apart from the privacy concerns we would have had hellish trouble—and got the local members to ring, I think you would be justified. But I think you are pushing a barrel a bit here.

Senator MARK BISHOP—You think that is pushing a barrel. That is just a bit too crude.

Ms Vardon—I would like to make a statement on behalf of our people. I am a very good public servant and I would not participate in something that was seen to be part of an election campaign. If you look to the heart of our people, there was always a great concern that people would continue to have debts. We had a vested interest in trying to get lots of people not to continue to have debts for next year. It was a very strong ethos inside our organisation. Any information about the $1,000 waiver was in the public domain. We were not introducing new information to the public domain. Our principal concern was to cease next year's debts, and the only way we could do that was to ask people to consider their position now and to please think again about their estimates and change them if required so they did not incur that debt next year.

Senator MARK BISHOP—I suppose that is a comment you can make, Ms Vardon. Equally, you could have said it might have some impact one way or the other on one of the two major political parties and, best, the phone calls were ceased from when the Prime Minister announced the election and recommenced sometime after 10 November.

Ms Vardon—We could have thought that, but we did not think that way.

Senator MARK BISHOP—You did not think of that, did you?

Ms Vardon—No, we did not think that way. We thought absolutely of the hundreds of thousands of people who we did not want to reincur a debt again in the next year.

Senator MARK BISHOP—It was absolutely critical that those hundreds of thousands of people be contacted by an officer of the government in that four- or five-week election period, wasn't it? Why was it so critical?

Ms Vardon—I am not connecting anything that we did to the election period. That was not what was in our mind.

Senator MARK BISHOP—No, you are not, but I am, because Mr Tidswell made it quite clear earlier that nothing untoward or improper or decisions could be made in the caretaker period. He volunteered that. I did not request it.

Senator Vanstone—We agree with that.

Senator MARK BISHOP—We all agree with that. But what we have here is the fact that, in a four- or five-week period, it does not occur to the agency or the department to put on hold a series of calls which visit a major cash benefit to tens of thousands of people. You do not regard that as perhaps being viewed by some observers as somewhat partisan.

Ms Vardon—Senator, that is your view, it is not our view. It was not in our hearts at the time.

Senator MARK BISHOP—I accept that it was not in your heart at the time. What would have been the material difference to all of those customers if they had been contacted by call centre operators post-10 November?

Ms Vardon—We had been contacting people since the families effort began. We put ads in papers, we had talked to people, we had been out to parents and citizens clubs—we had an active campaign all over Australia to 'please get your estimates correct.' It was, as far as we were concerned, a continuation of a very broad strategy that we had. It was not a stand-alone thing that we just decided to do. In every single one of our customer service centres there were big signs asking, 'Have you changed your estimates, have you changed your debt? Don't incur a debt.' In everywhere and everything that we did, we had a massive campaign to the people of Australia saying, 'Please get your estimates right.'

Senator MARK BISHOP—Yes, I understand that you had a broad campaign and a broad strategy that commenced after the Prime Minister made his announcement circa 30 June last year. I understand that. And we have been through all the time lines and the date lines to establish what happens. But my question that you just did not answer then was this: what is the material difference to those tens of thousands of customers if they received a phone call after 10 November?

Ms Vardon—Every day that you have not changed your estimate is a day that you can incur a debt. It is a very material thing.

Senator MARK BISHOP—Yes, but changing the estimates, the advice of the change of estimates, does not change the quantum of the debt. It still will be the same.

Senator Vanstone—No, that is not right. That is exactly the mistake that some people make. I will give you an example. You have made a query: I will run this past you. If you increase your income over and above your original estimate, every period of time that goes by that you do not adjust your estimate with us is a period of time during which you are paid at your initial estimate, during which you are overpaid, thereby increasing your debt. So it is material; that is the material difference.

Senator MARK BISHOP—Is that correct, Ms Vardon?

Ms Vardon—It is.

Senator MARK BISHOP—So explain to me—

Senator Vanstone—You can go on with your question, but I was dealing with this before. It is quite on the point I was making before about people who tell the truth and do not tell the whole truth. I used the example of one person who said, 'I advised them of my change in income,' but neglected to say that that was the first change, not the second, 'and I did not tell them about the second.' Equally, someone can tell the truth when they go to the media weeping and say, 'I advised them of my change of income,' and neglect to say that it was very near the end of the year so it was too late. This is the whole focus of the campaign. As your income changes, that is the time to notify because if you are being overpaid every overpayment you make makes it more difficult to adjust your payments down to ensure you do not have an overpayment at the end of the year, so the sooner you advise the better.

Senator MARK BISHOP—Okay. Let me refer to a letter that was sent to you, Minister.

Senator Vanstone—To me?

Senator MARK BISHOP—On 26 January from one of your constituents in Adelaide.

Senator Vanstone—This year?

Senator MARK BISHOP—Yes, 26 January this year. She opens up by saying:

I would like to express my concern ... at the current system for calculating Family Assistance payments ...

She goes on to say:

At this time I telephoned the Family Assistance Officer (FAO) and advised of our new estimated income for the year. Our payments were reduced and I thought that would be the end of that ... Each time our situation changed we dutifully telephoned the FAO and advised the operator of our change in estimated income and our payments were adjusted. At no time were we told that the adjustments made would not allow for our overpayments up to that time ...

Please try and imagine our shock (or, more accurately, horror) when we were notified that we had an overpayment of $1,800. We had done everything we were asked to do, at the appropriate times and believed the 'system' would correct the overpayments until it balanced out, then resuming to the correct payment for us for the remainder of the financial year.

She goes on to make the point that she is a part-time worker, that her income changes and that she has contacted the FAO repeatedly with those details but that she still has the same problem. So I come back to the question I asked Ms Vardon: what is the difference between contacting people and asking them for changes in their estimated income in October-November and then going to December, because there is no difference according to this?

Senator Vanstone—You can ask Ms Vardon to give you such answer as she chooses but I can give you an answer to that. Not every family's income changes fall in the same pattern. I cannot remember that letter. I may have replied to it; I am not sure. I am not asking you to give me the details now, but if you do we will check them for you. Not everybody who writes to me tells me the whole truth, either.

Senator MARK BISHOP—No.

Senator Vanstone—Not necessarily intentionally; sometimes they just forget something that they do not see as material and later, when you remind them it is a bit different, such as the lady Ms Vardon was referring to earlier who said, 'I could not have done this,' when she was shown the record could see what she had done. There are some circumstances, and they are limited, where people can end up having an overpayment even though they have told us as they go along what their circumstances are. But they are limited. In other words, the majority of circumstances where you get an overpayment are ones where the customer's overpayment would either have been wiped out or reduced by letting us know at the time.

I will give you an example to show you the difference between the two. One might be an FTB B situation where I think it is about a $10,000 income limit and then it completely cuts out. That is, in effect, roughly, giving a family with one income the benefit of two tax-free zones. When she—usually it is 'she'—moves back into the taxpaying work force and earns over that amount, she is getting that tax-free zone through the workplace. So that family lose entitlement to that payment. If such a family had said, 'No, she is not going back into the work force,' and she suddenly lands a job very near the end of the year that pays her over $10,000 in, say, the last three months—it would be a $40,000 a year job—and she has been paid for nine months as though she were not going back into the work force, she has earned over $10,000 in income but she has already received three-quarters of the family tax benefit B. Also, she might not have phoned straightaway that she was getting the job but she has already received the money which, by the end of the year, she is going to cancel herself out of. She is going to move into the no-go income area.

That is an entirely different situation from a family who says she or he has got an income of, say, $30,000. They get a raise or an increase in overtime or in some way that increases their payment early in the year. They think, 'I will tell Centrelink,' but they do not, then all that time they are getting an overpayment. It would be much better for that family to tell us immediately. So there are vastly different circumstances. There is not one situation where you can say, 'That applies to everybody.' Most of the situations would be where the debt either would not have been incurred or at least would have been substantially reduced if they had advised us of an increase in income very early on. I will put the qualifier on that—not all. There is the unexpected situation where someone who says, 'I am not going to work for the entire year' suddenly lands a $40,000 job smack, bang on the nine months near the end. Do you see the difference between those two examples?

Senator MARK BISHOP—I do. Where families have variable income—usually it is the wife working part time or casually because of dependent or young children—which, these days, can change on a weekly or fortnightly basis, the income assessment is always going to be a difficult task. It seems to me that, if you are working 10 hours a week for one week and 30 hours a week another week, that will significantly impact upon your income. That means that you are regularly going to have to contact the FAO or Centrelink to advise them of the changes. If you do not, what happens?

Senator Vanstone—People who have such dramatically varying hours of work each week could choose to do it very regularly. I suggest to you that where those people do exist they are in a position of not having the same dramatic variation in income on an annual basis, and they would know that. You might have someone who does subcontracting work, for example, who regularly earns about $25,000 a year but who sometimes earns $1,000 in one week and then nothing for a couple of weeks—that is the nature of their work: it is variable—but they do know that they end up usually with that kind of income. So that kind of person would probably be comfortable to leave their assessment as it was and not notify on a fortnightly basis. They would also know every three months or six months how they were faring compared to the previous year. Do you see what I mean?

Senator MARK BISHOP—Okay.

Senator Vanstone—When you say 10 hours one week, 30 the next, it creates this idea of drama. I just say: look at that person and at their life, and it is almost mud into a brick that they do not experience large annual variations in their income.

Senator MARK BISHOP—I gave that example in the context of the response previously offered by Ms Vardon, who said that there was a material difference and that it was necessary for people to have regular contact with the agency when there were changes in their income.

Senator Vanstone—That is right, and that is still right. You have just highlighted again how different all these things are. I have given you what I think is the correct answer for that person—namely, they would be aware of their expected annual income. The example I gave you earlier, when it is better for someone to tell us sooner, is when someone was expecting to earn, say, $20,000 a year but landed on their feet and got a $10,000 increase or got extra overtime on a regular basis. They are better to tell us that as soon as it happens. That is quite different from the situation of someone who gets a bit of extra work one week but does not expect that that is going to happen every week over the year. If someone gets a better job, or if one partner, who was not going to, takes on a job and they know that that is going on for the rest of the year, then the sooner they tell us that the better.

Senator MARK BISHOP—Coming back to the question, Ms Vardon, just explain to me again—because I have not got it yet—what material impact or material gain was made by

these tens of thousands of people by being called during October and November that would not have been there if they had been called between 10 November and 20 December?

Mr Tidswell—I will answer that question, Senator. What occurred in respect of their material benefit was a change in income estimates. We know that from 1 July last year until recently in early February we had about 500,000 income estimate changes—so that is the quantum of people who are actually changing their estimate and getting it right. Another feature that has not been explored here today—and we know that there is evidence of this occurring—is what we call mixed delivery options for some families. If they pick it up in fortnightly payments for six months and then have some increase in income beyond what they intended, a number of families are now choosing to forgo the fortnightly payments and are waiting until the end of the year to pick it up through their income taxation return. Just in the space of three weeks earlier this year, when the debt letters were starting to go out, about 3,500 families chose that option. People are starting to understand the system and are choosing the delivery option—it could be half fortnightly payments and half tax delivery—that best suits their needs and requirements.

Senator MARK BISHOP—Here we are talking about successful contacts to 60,000 people by phone in the period October to mid-December.

Mr Tidswell—They were direct contacts, on my advice. Then a good percentage of those other customers who were sent letters—the information I have here says that it was 50 per cent—rang as a result of receiving those letters.

Senator MARK BISHOP—I will come to that in due course. I am talking about the 60,000 people who received calls initiated from the call centre operators. Apart from the advice that the government were waiving their $1,000 debt, that they needed to have their estimated income figures updated and that recovery options were available to them, I am still trying to understand what was the material benefit to those 60,000 customers by being contacted between late September and early November, as opposed to delaying it for five weeks and doing it post 10 November.

Mr Tidswell—It was basically to fix their estimates, so that they minimised any chance of an overpayment. It was a duty of care on our part as a service delivery organisation to inform people of the impact of the reconciliation process.

Senator MARK BISHOP—So it was a duty of care obligation, but it is a one-off duty of care obligation, isn't it?

Mr Bashford—No, it is all the time. We do it every day, and we have done ever since this initiative came into place. Every time someone contacts our call centre in relation to the families area, we ask the question: 'Would you like to update your estimate?' That happens every day.

Senator MARK BISHOP—No, Mr Bashford, I am not talking about people who contact you and the normal routine of work carried out by your operators. We are talking about a discrete group of 60,000 people who received calls initiated by your organisation. You do not do that on a regular basis.

Mr Bashford—Every time we have cause to contact these people, and we send thousands of letters out, millions of letters—

Senator MARK BISHOP—Come on, Mr Bashford, you do not regularly call tens and tens of thousands of your clients as you did between late September and mid-December, do you?

Mr Bashford—We have to inform our customers of any change that is going to affect them and we do that by phone call or by letter. And every time we do that with Families people we remind them that they have to make sure that their estimate is up to date.

Ms Vardon—We have had other outbound call strategies. It is not unusual for us to ring people with messages.

Ms McKay—I think that the main point here is that customers who had had high debts from year one and had not changed their income estimates were likely to incur high debts in year two. So there was a very strong duty of care on Centrelink to approach those customers and let them know that they had had a debt for the previous year, that $1,000 of that had been waived and that they ought to very seriously consider what their income estimate is for 2001-02 to ensure that they were being correctly paid for this year.

Senator MARK BISHOP—I understand all of that and I do not think I quarrel with the agency initiating steps as a matter of routine endeavour to advise clients of particular problems and perhaps offer solutions. I do not quarrel with that, so we can forget about that. I am not criticising anyone at the table for doing that. What I am raising is the necessity to have done it latched onto a piece of advice, 'Gee, aren't I a nice fellow; I am forgiving your debt of $1,000,' and that it had to be done in October and November and could not have been done in December, January, February or late November. That is my complaint.

Mr Bashford—We could have left it until then but people would have incurred greater debts. It is also our busiest time at that time, so we would not have planned to do it around then.

Senator MARK BISHOP—How much greater would the debt have been, on average, if those calls had been commenced five weeks later?

Mr Bashford—I cannot give you an answer on that. I do not know how much.

Senator MARK BISHOP—In debts of the order of $2,000, the answer is going to be less than $50. That is what we are talking about.

Mr Bashford—But we are talking about people not incurring debts.

Senator MARK BISHOP—No, stop changing the subject. We are talking about people incurring debts and continuing to incur debts and we are talking about calls from officers of your agency during the election period. I am asking what the material difference is. Why did it have to be done then? Because the savings, in terms of debts not incurred, on average, are going to be $50, $60, $80 or $100—minimal amounts.

Mr Bashford—And I am saying—

Senator Vanstone—Before you start that answer, I would like to make two points. Lucky I stopped Mr Bashford before he started. When officers are answering questions, could we try not to say, 'No, no, no, I do not want to hear what you've got to say; I'll put this other question'? If they are asked a question they are entitled to answer it. But, having said that, Senator Bishop, you take my breath away—you absolutely take my breath away. A few minutes ago you were extolling to me the horrors of having a $300 debt and now you are saying, '$50, $60, $70, $80, $100 bucks—it is nothing.' To you and me, $300 may not be so much, but if $300 is a lot to someone on a minimum wage then $100 is a lot to them too.

Senator MARK BISHOP—But we are talking about the high debt people here. Minister, what I am driving at is that the justification for the course of behaviour in the period I have identified is to stop people incurring these large extra debts. But, when we look at that argument put by the officers, the large extra debts are not in the order of many hundreds or

indeed thousands of dollars. In that four- or five-week period they are in the order of the figures you just outlined. That being the case, I just asked the question: what was the significant material gain in having the calls made during the election period and not postponing the calls until after the election period? I am not convinced, I suppose, by the argument put by the officers.

Senator Vanstone—You do not have to be. But you have asked that question a number of times to a number of officers. They have given you the same answer. You are entitled to have your view of what you think that means. But I suggest the officers have been asked that quite a few times and they are not going to change their answer.

Senator MARK BISHOP—I think you are right on that.

Senator TCHEN—This project by Centrelink started in September 2001. That was well before the election because the election was not announced until well into October. And yet, Senator Bishop, you persist in describing this project as having been commenced and carried through during the election period. Can you clarify that?

Senator MARK BISHOP—I thought Mr Tidswell said the process commenced in late September and went through until mid-December. Late September leads into early October when the election started. It may have been okay to start in late September. I am just putting the proposition that it might have been appropriate to stop the process when the Prime Minister announced the calling of the election in early October.

Senator TCHEN—Isn't that a political move by Centrelink in that case?

Senator MARK BISHOP—On the basis that you have large numbers of call operators ringing up during the election period, advising people that the government in its wisdom is going to cancel $1,000 of debt, I think a decision either way could have implications.

CHAIR—Senator, we have gone around and around in circles on this issue for 1 ½ hours now. Do you think we have a chance of proceeding beyond that? I think that the officers and the minister have now given you about 28 different answers, all meaning the same thing.

Senator MARK BISHOP—They have given a series of different answers. How many successful calls were made through the customer service centres to families with debts over the $1,000 tolerance level before the 10 November election?

Mr Tidswell—I would have to take that on notice. I do not have that information before me.

Senator MARK BISHOP—Many of the people who have contacted us who have debts over $1,000 report not receiving calls until late November and December. Do you have the figures on how many calls to these families were after the 10 November election?

Mr Tidswell—I think we said that we would provide you with the distribution and number of the calls over the entire period. We will supply that, but we do not have the information here at our fingertips.

Senator MARK BISHOP—Can you point to any other instance, Mr Tidswell, where direct calls have been made to individuals pre-election by a government department where it was made clear to them that they were benefiting from the government's generosity?

Ms Vardon—I do not think that Mr Tidswell would be able to answer that, nor would it be appropriate. He cannot speak for other departments.

Senator MARK BISHOP—I asked him whether he was aware. Can he point to an instance?

Ms Vardon—I think you are asking him to speculate.

Senator Vanstone—He can answer with respect to Centrelink. I think that is fair.

CHAIR—That is his only responsibility, Senator.

Senator Vanstone—And you well understand why. If he does not have familiarity with what every other department has done, he may, without knowing that other departments have done it—if they have, I do not know the answer—say no. Then that answer would be very sadly misconstrued—not by you, I'm sure, being such a gentleman, but by some of your colleagues and the media. That is why public servants restrict themselves to answers of which they have direct knowledge—

Senator MARK BISHOP—Do you have any direct knowledge of other departments engaging in similar activities?

Senator Vanstone—and responsibility. Honestly, Senator Bishop, you do understand what estimates are for. They are to query Centrelink on activities that they have done.

CHAIR—Mr Tidswell can only answer questions on his area of responsibility, not across other departments.

Senator MARK BISHOP—Minister, the opposition sought information a number of times from the government, and directly from the department, pre-election in relation to the number of debts and amounts. I think there was correspondence to the department and to the minister. At each opportunity we were denied the information on the robustness of the new payment system. I am advised that the government claimed that providing interim data would be misleading, in response to requests from Mr Swan. Isn't it the case that the department has been gaining information on the reconciliation process from the moment that families lodged tax returns?

Senator Vanstone—You can ask Centrelink that. There is one occasion that I specifically remember when Mr Swan asked for some information, and that was during the election.

Senator MARK BISHOP—Yes.

Senator Vanstone—He put out a press release, or made a political issue of this. As I am advised, the normal processes were followed. The department can correct me now if I am wrong on this but I think they sought advice from PM&C, which is the normal case if there is any doubt in relation to caretaker provisions. There is a woman in PM&C who is apparently the fount of knowledge on these matters. The advice was, as I recall, that Mr Swan had drawn the figures into the political arena by putting out the release that he did and that, as such, the department should keep away from it. The department can give you the details but, as I recall, that was the situation. He might have got a different result if he had simply asked for the information, but he basically went out and said 'I want this for political purposes.'

Senator MARK BISHOP—And so it was denied.

Senator Vanstone—The advice that I had at the time on what had happened, because it was not my decision, was that it was inappropriate—I am speaking generally here and paraphrasing, and I am happy for the department to say whatever they want about it—and that it had been politicised by Mr Swan. Why not ask the officers who were directly involved and who are responsible for that area to give you something because they were the ones involved, not me?

Mr Jackson—Mr Swan did write to the previous secretary on 6 November asking for information on the details of the effects of the reconciliation process. Some few hours after we received a copy of that letter we also received a copy of a press release he had put out in

relation to that matter. At that point we were in the process of having discussions with Prime Minister and Cabinet to get advice, as we did on all relevant requests about what information it is appropriate to provide. Their unequivocal advice was on the basis of the fact that this matter had become drawn into the public arena, that it was no longer a matter that was open to us under the caretaker conventions to deal with at an administrative level, and that it needed to be resolved at a political level. Later that same day, oral advice was passed to Mr Swan's office to that effect, and the previous secretary followed up first thing on the morning of 7 November with a letter advising Mr Swan of his determination that, based on advice from Prime Minister and Cabinet, this was not something now that he was able to respond to. At the same time, he wrote to Ministers Anthony and Vanstone and advised them of the fact that he had responded to Mr Swan in that way and indicated that he considered that the caretaker conventions required him to respond to Mr Swan in those terms, and he attached a copy of that letter to Mr Swan.

Senator MARK BISHOP—I am familiar with the correspondence.

Senator Vanstone—You have probably got a copy of the letters there.

Senator MARK BISHOP—Yes, I have copies of the correspondence both ways, Mr Jackson. There was an interpretation placed upon Mr Swan's media release by PM&C that caused them to come to a particular conclusion. Going back to the question, my point is that the department had been gaining information on the reconciliation process from the moment that families lodged tax returns. That is correct, isn't it?

Mr Henry—A lot of that early information was partial and we had been trying to make sure that whatever information we did have was accurate and correct. Grant Tidswell and I had numbers of conversations as that occurred to try to make sure that we were getting accurate and complete information from the system. There were figures around that tended to be quite changeable, as Grant would agree, during the process. We were also still in peak time in terms of processing, because during late October many Australians are in the process of putting in their reconciliation and that process was continuing apace through that time. I would prefer to provide as accurate figures as we can during that process. You asked us now about figures: we are a fair way down that process and we have certainly worked very hard on the figures that we provided today, having checked the process and rechecked it. Grant and I have looked at those figures and those figures are totally agreed positions between us. But this does not go to the issue that Mr Jackson—

Senator MARK BISHOP—No, it does not. I am going behind the reasoning that led to that decision, because in the three months from 1 July until 30 September you would have gained a sizeable body of information—some hundreds of thousands of responses—wouldn't you?

Mr Henry—By the beginning of October there were some indicative figures that around 600,000 had then been conducted, but we were still checking that information. It certainly was wobbling around a good deal in terms of the system and I would not have been confident about any figures that I could have provided at that time. Indeed it would have been, frankly, well into November before I would have been very confident about any figures that we could provide.

Senator MARK BISHOP—I am a bit surprised that you say that, Mr Henry. If you had 500,000 or 600,000 responses by the end of September—out of a total sample size of about 1.8 million I think we agreed earlier—that is about a 35 per cent response, which is also consistent with the earlier FAO impact assessment. So you have a sample size of half a

million out of 1.8 million. Are you suggesting that there is going to be a materially different analysis drawn from that sample size to a sample size of 1.1 million?

Mr Henry—I think that it is quite possibly so. Certainly, our expectation was that customers who were lodging later in the system were likely to be higher income customers, and that is likely to be so because they are lodging through tax agents. We have still got people lodging and, as we said to you today, we still have people to lodge and the picture has not been a completely stable one. It has surprised me that one could not have just looked at the original figures and said, 'Ah, that is the way it is going to be.' And, as I have said, they were also moving around from time to time as this system was examined to make sure that we were getting exactly accurate figures on the break-up and constitution of the situation.

Senator MARK BISHOP—But the variances are so great in a sample size of 35 per cent, 600,000, that they materially impact on the analysis of the full sample of 1.8 million. That is a remarkable argument.

Mr Henry—No, I am saying we are checking the system to make sure that it is providing us with a fully accurate picture. There are two elements to my response. One is that we were not completely certain and still are not. As we were today, we have worked over the figures we provided to you to make sure that they were accurate. We have worked very thoroughly over an extended period of time now to make sure that, when we were asked these questions, we could provide you with accurate answers on exactly what had happened in the process of reconciliation. That is my first point—system concern and some jumping around of the figures. My second point is the extent to which a sample size of half a million would be replicated when we got further down the track. So I am making two points—the first is probably the more important. It is the one about the durability of the data for what is essentially a new system and making sure that the count between the system is an accurate count and the way that we are looking at it is perfectly accurate.

Senator MARK BISHOP—On your second point, do you still put the proposition to me that, given a sample size of 35 per cent—five or 600,000—of the total sample received by the end of September, the figures requested by Mr Swan would be materially different to the figures you would give me as at today's date of 21 February? Are you saying that?

Mr Henry—They are different than perhaps what I would have expected. We are looking at the system and the way it can continue to change. Indeed, I think some of these figures may continue to change. You asked a question about how far down the track we are. We are looking at how many people yet to be reconciled will, in fact, have to be reconciled. We are also looking at a potentially—and we have talked with Tax about this, different clientele—post October. This is essentially Australian families with fairly straightforward salary and income situations being reconciled and that group of people who go through tax agents and have delayed their responses until post November. That is not necessarily going to be the same group of people who have lodged in the period July, August, September and October.

Senator MARK BISHOP—No, it is not.

Mr Henry—That was the way we were looking at it. It was a factor of several things, including how accurate the figures were and whether the sampling presented a correct picture if we were to look at the whole.

Senator MARK BISHOP—So you had these concerns and you did not want to give erroneous or misleading information to Mr Swan?

Mr Henry—I certainly did not.

Senator MARK BISHOP—And that was based on, one, your systems and, two, the thought that the sample size was not indicative. How many applications have you now got at 21 February—1.2 million?

Mr Henry—As I said at the beginning, almost 1.4 million.

Senator MARK BISHOP—That is right—and you are only expecting another 200,000.

Mr Henry—Yes.

Senator MARK BISHOP—Is the material to be gained from that body of information of 1.4 million materially different now from what we would have gained from 30 September?

Mr Henry—I would need to look back. To be quite frank, I do not have a set of information from 30 September. I have looked through the records and I do not have a set of figures from 30 September. The figures that were available at that time were rather earlier in the piece and still subject to continuing checking and vetting.

Senator Mark Bishop—But the request was made in early November, so you would have the information.

Mr Jackson—Senator, I have explained why the request in early November was dealt with in that way. We were in the process of deliberating on that request when the press release was made, which overtook those deliberations for the reasons that I have indicated.

Senator MARK BISHOP—Thank you, Mr Jackson, I am not questioning what you said there. Mr Henry has put forward the proposition that he did not want to release the information to Mr Swan because it may not have been accurate.

Mr Jackson—I think Mr Henry was actually referring to another discussion where this was discussed that was much earlier in October. The sorts of points that Mr Henry is now making are the points that he was making then. My understanding of what he has been saying is that, whatever the comparison might be looking back at that point in time, if we were able to make it, the robustness of the figures available at that time, being early in the process, were called into question in his mind. On that basis, he did not think that he could provide reliable statistics at that point. That was at the beginning of October. A month on we were asked by Mr Swan in writing. They are the events I have described subsequently.

Senator MARK BISHOP—I understand all that. Having had the opportunity up until 21 February to review some of that information, are you satisfied that the robustness of the information that has been provided is sufficiently different now than it was then?

Mr Henry—I am very satisfied with the robustness of the information that we now have.

Senator MARK BISHOP—Is it qualitatively different to the information you had when Mr Swan made that request?

Mr Henry—Again I say to you, Senator, I was not happy with the robustness and accuracy of the information that we had at that time. I have not been back to compare it. In fact, one of the reasons not to dwell on it is that we were continuing to look at getting better information that could be used to inform ourselves or anybody else.

Senator MARK BISHOP—So you had concerns back when Mr Swan made the request, and you have not been able to do any work to either confirm or deny the legitimacy of those concerns?

Mr Henry—I am not sure how to answer that. The department responded to the request as it needed to. Then the request was again made, and it was treated in the sequence of events that Mr Jackson has alluded to.

Senator MARK BISHOP—You had concerns about the robustness of the information due to the sample size when Mr Swan made his couple of requests. You now have a much higher sample size.

Mr Henry—It was in the early stage of reconciliation when we knew that a very large number of customers was going to come through in October and then a potentially different group of customers in the post-October situation.

Senator MARK BISHOP—Has that potentially different group of customers post-October confirmed your concerns, or have they been allayed?

Mr Henry—The potentially different group of customers post-October is working its way through. We have not yet seen the finality of that. One of the things that I am really interested in is whether the characteristics of those last few hundred thousand reconciliations will be the same as what we have seen up until now. In more recent times they have been certainly changing, but the numbers of reconciliations taking place during December and January are not actually all that great. There are not a lot of people lodging their tax returns at the present time. We had a huge amount of activity going on in October, and we had a lot of reconciliation activity taking place during October and into November. Since November the numbers of additional lodgements have not been that great. I think they are now down to a few thousand a week, or something of that kind. The characteristics of those customers do not look identical, but this is a small sample size. What I am really interested in is what happens, if we are looking forward, to that extra few hundred thousand customers.

Senator MARK BISHOP—I think we have probably pursued this particular discussion as far as we can. I will put on notice some questions to draw out the difference between the sample size, your concerns as to September and what will eventuate when we have the full sample. I will knock those up. I just want to get some idea of the scale of the problems this financial year and some of the inherent problems in the system. What assessments have been made about the likelihood of debts for the forthcoming financial year 2001-02, given that the tolerance will not apply this year and the system is not changed?

Mr Henry—At the moment we are looking at the results. Grant alludes to the fact of hundreds of thousands of income estimates having been made. This is a process we need to go through to see the likely effect that that will have on reducing debt volume for this financial year and any debts and top ups—because we are interested in, and see lots of, both—to see if we have a better understanding of what the likely outcome is. This is always in the realm of very considerable estimation. This is about customers' estimating behaviour. Centrelink is doing many things to assist customers in getting and keeping their estimates up to date. But the real issue is: even where we persuade customers to adjust their income, what is the belief about how much more accurate they will be in the future than they have been in the past in doing that?

I think there are encouraging signs in the responsiveness of customers, and their willingness to update their estimates. The questions are to what extent are they estimating that and whether they are taking all the factors into consideration. It is a very complicated piece of forward estimation to try to consider what the likely outcome is. Frankly, I have not done any figures at this stage on what we think the situation will be next year. At the moment, what we are working with and the concentration is on—as Grant, Graham and Sue have been talking about—are the strategies to assist customers with their estimates and the targeting of those who have had estimates in the first year, because they are at risk. It is really important that our customers do that. We recently advertised again in the press to encourage people to update their estimates and keep their estimates up to date.

Senator MARK BISHOP—I do understand the points that you have made. So it is a very difficult problem to forecast these assessments whilst you are still really getting on top of the system. Does that mean—and correct me if I am wrong—that the scale of the problem could be similar in the forthcoming year as in the past?

Mr Henry—I really would not want to speculate in those terms. I and my staff—and of course Mr Tidswell and Centrelink, who have the strong interest in this—need to look more at the situation. The real questions for us with customers who have changed their estimates are whether they have changed their estimates and whether they are those customers who most need to have changed their estimates. There is a number of tests you can go through. We have not yet gathered that information, but we would certainly be doing so in the next period of time, to try and look at the results of all the efforts we have made and to see the effect which we would have, and then we would be making some possible projections. But it is only further down the year, when you see what customers have actually done, that you are in a good position to say, 'Well, this looks like something closer to the broad range of probable outcomes.' In the end, they will still be estimates, right up to when we run through reconciliation. We will know what reconciliation outcomes will be with accuracy some time into financial year 2002-03.

Senator MARK BISHOP—If I ask you the same question when we come back here in June, will you be able to give me a more definite response? What you are saying now is, 'We hope it is not going to be as bad, and we are doing a lot of thinking about it, but we do not know.'

Mr Henry—I could not guarantee this. At that time, people might be able to raise some projections about likely outcomes, but it is still very much in the realm of estimates, because, while we will then have a very good idea of what customers change their income to and which customers they were—and, frankly, the contact is having very substantial effects—the real question is: how did those customers' incomes actually change over that year? This system takes what you got during the year, according to your estimates, and compares it to what you should have got according to your actual taxable income, and then does an adjustment process. I am not going to go again into what the minister had to say about that process, but that is what it does. It assures that all customers get the same amount for that taxable income. Until I know what that taxable income is, this is in the realm of pretty substantial estimation—and I have a strong background in estimating, in finance and in treasury in Canada—but this one, even in late June, will still be, 'This is what we think is going to happen,' rather than, 'I am assured, or could provide assurance to anybody, that this exactly will be the outcome.'

Senator MARK BISHOP—Then this question goes to you, Mr Tidswell: bearing in mind what Mr Henry said, would you be doing your forward planning with the people in your operation on the basis that the scale of the problem is likely to be the same in the forthcoming year, as we have been discussing all day?

Mr Tidswell—The sort of work we are doing is more closely looking at the events as they unfold as people get their overpayment letters this January through to the end of February. Then we want to do some data runs to examine the number of families whose actual taxable income for last financial year is higher than their actual income estimate for this year. We want to target those families very quickly—outbound calls again, letters, whatever we can do—to say, 'You need to at least have your actual taxable income and your estimate at the same level.' We have a better baseline from which to work, and we are also going to concentrate on those families that have had an overpayment last financial year. We are

targeting our scarce resources to those who we think are most at risk, and our aim is to minimise overpayments wherever possible, encouraging families to think about a suitable income band for themselves and encouraging that updating of the estimate.

Senator MARK BISHOP—When will that remedial work have to be concluded?

Mr Tidswell—We will just keep running it as a cycle and keep working on until 30 June, even though obviously the later in the financial year you change your estimate the less likely it is going to have some impact. As I mentioned earlier, the other key thing that we are doing is talking sensibly to families, saying, 'Is it time to cancel your payment? Because you have already received your entitlement for that period of time, and there is a chance here. You cancel your payment for three months and pick it up through tax delivery.'

Senator MARK BISHOP—Let me ask the question a different way. If the scale of the problem is of the same order—something to do with 700,000 reconciliations—can that just be absorbed into the work of the agency as routine work?

Mr Tidswell—We now know how it will impact, largely, although there are a few things we did this year that we will do differently next financial year, in terms of tax offsets, we presume, once that decision is made. In that context, we largely know how the work will pan out. Families will understand how the system works, so bugs will be out of the system. It is about concentrating on what our major gain is—that is, to help families update their estimates.

Mr Sullivan—It will depend upon a number of things. You talk about scale, and there are two aspects of scale to this problem: one is the volume of debts and one is the level of individual debt. With the mitigation strategy that has been put in place, I think there would be a higher level of confidence that we will affect the individual level of debt.

Senator MARK BISHOP—That is the real premise you are acting upon, isn't it?

Mr Sullivan—Then you can test to say: are we going to remove these reconciliation errors down to a zero reconciliation for a lot more customers? That feeds into the other point we made earlier: a decision will then need to be made as to whether the tax system will be used to recover any debt or whether again we will rely on Centrelink to recover that debt. As I said in a previous answer, that decision will not be made until late this financial year.

Senator MARK BISHOP—What I am driving at is that it seems to me, in terms of the problem at individual debt level, that you seem to be almost exclusively relying on behavioural change or some form of cultural change to reduce the incidence of the problem. Say you are wrong in your assumptions: that means we are going to have a scale problem not dissimilar to previous years.

Mr Sullivan—There is another element that we are relying upon: that people will be comfortable in understanding the potential outcomes. A client understanding that their income estimations may result in an overpayment is a different context to a client not understanding the income estimation process and getting an overpayment. So we will have some clients who will reconcile with an overpayment—and some of them may have used financial advisers to tell them that this is a good interest-free advance—and they will be comfortable with that fact. Others will move towards saying, 'I must overestimate or I must stop my benefit because I do not wish to have an overpayment.'

The thing that we are confident about, in terms of the strategy being put in place by Centrelink, is that clients and customers are understanding better what income estimation means to their family benefit payments and what the reconciliation process means in respect of their tax assessments to the recovery of any overpayments or to the refunding of any underpayments to them. That is another element as important as to whether we get the scale,

in terms of volume of debts, right down. If we can get understanding up and mitigate those high-value single debts down, we will have achieved good things this year.

Senator MARK BISHOP—I understand the proposition you are putting, and we will have discussions later this year to see if your thoughts are correct or not. It will be subject to testing; that is fine. Has an assessment been made of the total amount of FTB and CCB that will be recouped following reconciliation for this year?

Mr Sullivan—Do you mean how much of the overpayment debt we will recover this year?

Senator MARK BISHOP—Yes.

Mr Henry—We thought it most likely that about $35 million of the residual overpayment from family tax benefit would be recovered this financial year.

Mr Popple—As I said, there is about $5 million of CCB. We do not know how much of that will be recovered. It is a bit more complicated with CCB, because you do not recover it from future CCB payments, you take it from future FTB payments. So it needs to occur after the FTB debt is taken out of their payments, then the CCB debts are taken out. It is more likely to delay that until the future financial year.

Senator MARK BISHOP—Mr Henry, coming back to your figure of $35 million, does that strike you as being somewhat low?

Mr Henry—No. As I think the minister indicated earlier, the customers are not required to write out a cheque or anything for any overpayment. The recovery regime that Grant referred to, which is—forgive me if I am wrong, Grant—$40 per fortnight if the debt is over $750 and $20 per fortnight if it is under $750, means that the recoveries that we estimate per fortnight might be of the order of about $3.5 million, assuming that that takes place for about 10 fortnights. These are broad figures over the year, and therefore we recover about $35 million during the course of this financial year. The government promised a recovery regime that would take account of customers' situations, so we will be recovering at about those rates.

Senator MARK BISHOP—Turning to the national print advertisement campaign that is going on at the moment, who instigated that campaign?

Mr Henry—Centrelink and we were keen to get this message out, but I think the detail of it is much more in Mr Tidswell's hands than in mine. It is certainly something which both the department and Centrelink completely agreed on and wanted to go forward with.

Senator MARK BISHOP—What is the cost?

Mr Tidswell—The total cost of the campaign, as I am led to believe, at this stage is $290,000. That is coverage in national and metropolitan dailies and rural newspapers over a four-week period.

Senator MARK BISHOP—Isn't it true that the core message in the ads is a continuation of advice that families have been offered all along?

Mr Tidswell—Yes, it is the core message. The addition there—and this is the first time that we have promoted it in the press and in our flier that we sent with the overpayment letters starting in January—is advertising the www.familyassist.gov.au site where people can register their income estimates online. Since we have sent out those letters, starting in January, and with this advertisement, we have been getting 200 income estimate changes per day on that site, including large numbers on the weekend—often outside of normal business hours, after 8 o'clock at night.

Senator MARK BISHOP—I have a copy of the ad from the *Weekend Australian* of February 9 and 10 of this year. It states:

If you are receiving Family Tax Benefit as a fortnightly payment or Child Care Benefit as reduced fees, it is important that you keep your income estimate up to date.

Then it outlines how you can do that. That is the same thrust that has been out there for—how long now?

Mr Tidswell—This has been the message we have been putting out in promotional material, in a variety of ways, since July 2000.

Senator MARK BISHOP—That is what I was driving at. Hasn't this advice, which is the advice that has been put out since July of 2000, failed to avert the debt problems that have emerged from the reconciliation last year?

Mr Tidswell—What we are trying to do is to make sure we use as many avenues as possible to get the message across to families that they need to keep their income estimate up to date—

Senator MARK BISHOP—Sorry to interrupt you, Mr Tidswell, but we have had this going on now since mid 2000. We were running a similar campaign with the same message in the press in the last month. In the past it does not appear to have had a material impact.

Mr Tidswell—We have not before had a paid advertisement in the press with this message. We put it into publications, pamphlets and products. What we are looking at is a communication campaign that targets a number of sources—and this is the start of it—to raise awareness, to get the community education focus going, and to make sure people realise that they need to keep their estimate up to date.

Senator MARK BISHOP—So you are saying to me that the simple message in the advertisement is okay and should be continued. Perhaps the method of communication in the past—that is, in-house publications and the like—was not adequate to achieve the purpose.

Mr Tidswell—We are just trying to use all bases to ensure that we get the message out as broadly as possible.

Senator MARK BISHOP—What I am suggesting to you is that previous attempts have not been successful in averting the debt problem.

Ms Vardon—I think they have been, Senator. We have had millions of changes to estimates because our people at customer service offices are saying to people, 'Change your income,' and the call centres are asking every time. People have made massive changes to their estimations—millions of changes. I want to reinforce what Mr Tidswell just said about the 'families online' link, because it was not up before and this is a significant way for us to advertise. People can now deal with us online, which was not a channel that was available before because have only just got it up.

Senator MARK BISHOP—I must say, Ms Vardon, I am not as satisfied as you are as to the success of the campaign over the last 18 months, or indeed of the current campaign in a different medium. I say that because significant numbers of families have contacted my office and the offices of other members of parliament about their debts, and they all have the same message—they are all expressing their disbelief that they have accrued debt despite rigorous efforts on their part to always update changed earnings. That is what they say to us, and I refer you to that letter that I read out to Minister Vanstone from a constituent of hers in Adelaide.

CHAIR—I do not think we are advancing the thing any further here. The officers and Minister Vanstone have all said that some people do not tell the whole story. You know they

do not tell the whole story. I know they do not tell the whole story—and, quite invariably, that is not intentional. So all we are doing is going back over and over the same old thing. Is there any chance that we might actually go forward?

Senator MARK BISHOP—We are going over the same thing because it does not appear to us that there has been any change in the outcome, in the scale of the problem. I asked Mr Henry a few minutes ago to give me some indicator of that and he was unable to do so.

CHAIR—But these are the same questions that we have now been going over for two hours.

Senator MARK BISHOP—Yes, that is right.

CHAIR—I do not think you are going to get any different answers now from when you first asked them two hours ago. We are just going around in circles.

Senator MARK BISHOP—We are going around in circles because there does not appear to be any change on the part of the department.

CHAIR—It is a Mexican stand-off. You cannot expect the officers or the ministers to give you an answer just to suit your cause if the answers they have given are fact—and I have no reason to suspect that they are anything but fact. We cannot manufacture an answer just to suit your political cause. Could I please encourage you to proceed now with another line of questioning. I think we have all been terribly tolerant, and we are not going to get a change in answer.

Senator MARK BISHOP—So we are going to continue with the same strategy that we have had since July 2000?

Mr Bashford—We are going to continue with the same message because that is the message that needs to get through. That does not mean to say we are not doing anything different to try to help customers with the debts. We are, as we speak, trying to put together a calculator which will help our staff and customers online better assess what income estimate they need to give us in order to have no debts at the end of the year.

Senator MARK BISHOP—All right then. Ms Vardon, would you agree that families with unpredictable income—that is, casual, part-time or overtime work—are disadvantaged under the current system compared with, say, a higher income earner with a stable income?

Ms Vardon—I would not say that. I think, though, that one of the things people with a regular income have had to learn is to overestimate their income, when they may well have underestimated their income in the first instance. If people have a variable income, we are trying to make sure that they overestimate if they can.

Senator MARK BISHOP—So people with a variable income are at a disadvantage compared to people with a regular income?

Mr Sullivan—I think you would have to say that people with a variable income have to be more cognisant of the fact that this is a tax payment that will be accurate on the basis of their taxable income at the end of a year. If your income is variable, you have to recognise that fact and the fact that, in asking for a fortnightly up-front payment, your income estimate is something that you should be comfortable with. A person who has a stable income, whether it is high, low or medium—I do not think you used the word 'high', but that does not matter—obviously can predict far more closely to actual taxable income with a lot more comfort. If the disadvantage is that they must be more cognisant of it, that they must be more aware of it, they must be.

Senator MARK BISHOP—I think that is fair comment: those who have a regular or fixed income have more certainty in the new tax system, and those who have a variable income are going to experience—

Mr Sullivan—More certainty as to the balance of how a benefit, which will be a benefit exactly tied to their actual taxable income, is served. In the end, you get the benefit served in one of three ways. You can take a lump sum through the tax system, you can take a fortnightly payment through the Family Assistance Office and a positive adjustment through the tax system, or you can take a fortnightly payment through the Family Assistance Office and a negative assessment through the tax system. In the end, the payment is accurate to your taxable income and is no less fair on anyone on the basis that their taxable income is their taxable income.

Senator MARK BISHOP—If you establish that as the parameters of the discussion, your conclusion is correct.

Proceedings suspended from 5.37 p.m. to 5.47 p.m.

ACTING CHAIR—Senator Bishop has a few round-up questions.

Senator MARK BISHOP—I have just one tidy up question on this CCB business, probably for you, Mr Popple. I cannot recall whether you said notices have gone to all people receiving CCB as promised at last year's estimates hearing.

Mr Popple—I am sorry; I do not understand the question. Gone to all people—what people?

Senator MARK BISHOP—Have notices gone to all people receiving the child care benefit as promised at last year's estimates hearing? Mr Tidswell said:

We would be sending a note about a nil adjustment and an advice that that process has been gone through. We would provide that advice to families, regardless of win, lose or draw.

Has that been done?

Mr Tidswell—That is correct. The advices and letters since the CCB reconciliation process kicked in have been going through, and we sent out all the overpayment letters at the same time we sent out the FTB letters.

Senator MARK BISHOP—So they are all done?

Mr Tidswell—That is right.

Senator MARK BISHOP—I just wanted to tidy that up. I want to turn briefly to the CCB processing and payment issues with the centres and the schemes. Who would take those questions?

Mr Popple—I would.

Senator MARK BISHOP—Could you just explain to me how the centre tracks the payment and adjustment system?

Mr Popple—They are advanced money at the beginning of the quarter on their anticipated CCB usage during the coming quarter. At the end of the quarter they lodge a statement on their actual usage, and then that is reconciled, and that then adjusts their future quarter's advances, not the next one but the one after. It is a rolling system of advancement and acquittal.

Senator MARK BISHOP—Advancement and acquittal?

Mr Popple—Yes.

Senator MARK BISHOP—Regarding the system FAO uses when paying amounts, does the notice state what period the payment is for?

Mr Popple—The money is paid at the beginning of the quarter and the services know it is for the forthcoming quarter. It is paid at certain times, so they know what it is paid for.

Senator MARK BISHOP—Are the quarters January, April, June and September or are they variable?

Ms Babbage—The formal day care centres, family day care centres and occasional care centres operate on a quarterly basis. The before and after school hour services operate on a term basis and vacation care services operate on a vacation term. Each of these services gets an advice of their payments for the period for which they are given.

Senator MARK BISHOP—Are those quarters or periods the same for each subsector or are they different?

Ms Babbage—As I just explained, it is quarterly and they are the same for every family day care, long day care and occasional care centre, but the before and after school hours care is on a term basis and the terms vary slightly between the states.

Senator MARK BISHOP—When do the quarters start?

Ms Babbage—The quarters are January to March, April to June, July to September and October to December.

Senator MARK BISHOP—That is what I wanted to know. Is any information provided that would allow a centre or a scheme to check the accuracy of the amounts?

Ms Babbage—Yes. They are given a number of documents. They are given their payment advice letter. When we process each of their statements they get an acquittal report which gives them information on all the differences: where we have paid a different amount relative to the amount that they have claimed. In addition, they are also able to request from Centrelink a child payment summary which will give them a statement by each child the amount that we have paid for that child.

Senator MARK BISHOP—On behalf of that child?

Ms Babbage—Yes.

Senator MARK BISHOP—Is any notification given of payments and adjustments in and out of services' bank accounts or is that just a routine matter?

Ms Babbage—We give them a payment advice letter which tells them how much has been acquitted and how much they are being advanced. That should correspond with what is going into their bank account.

Senator MARK BISHOP—When acquittals are sent in what causes a request for resubmission? Does that occur?

Ms Babbage—Do you mean, Senator, that if we reject their statement, what are the causes of us rejecting the statement and needing them to resubmit the statement?

Senator MARK BISHOP—Yes.

Ms Babbage—Generally, the resubmission of statements relates to problems that they have with the formatting of the data that comes across to Centrelink. That can be as a result of either a software problem or data entry by the service.

Senator MARK BISHOP—We are advised that some centres are being asked to resubmit their acquittals up to 12 times. What would be the reason for that?

Ms Babbage—Normally, we would not be asking them to resubmit the same statement 12 times. I think what you might be referring to is when a customer wants to claim a lump sum payment and the service provider may not have already sent the usage to Centrelink. They would be required to provide a statement to Centrelink for each quarter on the usage for that customer. If they have a number of customers who come to them at a different period of time then they might be required to submit more than one statement for each quarter.

Senator MARK BISHOP—Is the matter we are discussing a common problem or very atypical?

Ms Babbage—I think it depends on whether the service provider has obtained a CRN, which is a reference number for the customer, and has already provided the usage. There are quite a few services that have predicted that these customers will be wanting to claim lump sum payments and they have already forwarded the data to Centrelink, so that when the customer comes in with their lump sum claim we have already got the usage. That does not happen in all services.

Senator MARK BISHOP—Which ones does it happen in?

Ms Babbage—I am not able to specify that but it does seem to be variable. There are some areas where a greater proportion of customers decide to get their CCB by reduced fees. The proportion claiming by reduced fees versus perhaps lump sums does vary around the country.

Senator MARK BISHOP—Could you provide to the committee a copy of the guidelines and instructions used by the FAO regarding the administering of adjustments on a quarterly basis?

Ms Babbage—I am not quite sure what you are referring to there.

Senator MARK BISHOP—When you do the adjustment process, is there a set of guidelines that exist as to how that is going to be carried out?

Ms Babbage—There is a process and procedure by which the lodge acquittal cycle operates. The adjustment occurs automatically as part of that process. Is that what you are referring to?

Senator MARK BISHOP—No, it is not.

Mr Popple—The arrangements are set out in the handbooks we provide to the services. Would it help if we provided you with a copy of those?

Senator MARK BISHOP—It would. We have been referred a problem with a family day care provider in Western Australia—the Lower Great Southern Family Day Care. They have said to us that we have repeatedly sent overpayments of more than $100,00. They say they have filled in their quarterly acquittal and provided it on time to the department. Can you comment on that? Are you familiar with that case situation?

Ms Babbage—Yes, I am. The situation with that service is that we were overpaying them. We did not realise that we were overpaying that service. There had been a new provider come into that market in WA which had greatly affected the proportion of the market that they had in their local area.

Senator MARK BISHOP—Yes, they lost business.

Ms Babbage—They lost quite a bit of business which resulted in us significantly overpaying them. When we contacted them about the overpayment, they indicated that they did know that they had been overpaid. They indicated that they were happy to provide that money back to us. The complexity of the issues over the last 12 months has meant that, until

we moved to a normal lodge acquittal service for all services, we were not able to process some of those requests. That was because we were not actually processing their statements in a more timely manner because a lot of services had quite a long delay in forwarding the information to Centrelink.

Senator MARK BISHOP—So this particular centre advised you of the change and, for a range of reasons, you were unable to input that data into the system.

Ms Babbage—I am not clear as to at what point in the last 12 months we were advised of that.

Senator MARK BISHOP—Right. It is just that I am advised that the centre faced a repayment of more than $400,000 as at November last year. Is that correct?

Ms Babbage—Yes.

Senator MARK BISHOP—And has that been paid?

Ms Babbage—I am not sure whether it has been paid, but in our conversation with that service they indicated that they had set that money aside. They knew they owed us that amount of money and they were prepared to pay it back as one lump sum.

Senator MARK BISHOP—I am pleased to hear that because I had some different advice. I am just trying to check the file. But you are not aware that they have repaid that $400,000 from November until the present time?

Ms Babbage—No, I am not aware. My Western Australian staff would know that, but I am not aware of it at this point.

Senator MARK BISHOP—Just explain to me again why the quarterly adjustments were not made in respect of this provider.

Ms Babbage—I think the issue was a bit broader than just that service. There were a number of transitional issues related to child-care benefit which affected the normal lodge and acquittal cycle. A significant number of services not being able to submit us their statements in a timely manner meant that, rather than wait for services to lodge their statements, we automatically advanced the money so that they could continue to pay reduced fees for customers. We consulted with the child-care industry quite extensively around the best way to deal with the issues that the industry was facing. As a result of those conversations—and conversations with FACS—we did have a transitional period whereby we did advance service money without them acquitting their statements. But at a particular point in time, which is 1 July this year, we move back to the normal way the system was meant to operate, which is that if you do not put in your statement you do not get advance money. But having that transitional process did impact on our ability to take the normal overpayments out of advances because the system was not adjusting in the way that it would normally adjust.

Mr Popple—The first two quarters of that first financial year we did not know how much money to advance for the CCB so we made an estimate and it was not until after the two quarters had passed that we got the first acquittal notices back anyhow. So the first two quarters had to be done on the basis of estimate based on previous usage and anticipated increased usage because of CCB.

Senator MARK BISHOP—I referred to the problem with the Lower Great Southern Centre in Albany. How many other centres have identified similar problems to you?

Ms Babbage—There are very few centres with such large overpayments. There are a number of centres who have got much lower overpayments, but it is really difficult to isolate

out of those overpayments what is part of the normal lodge-acquittal adjustment process and what relates to an overpayment from the previous period.

Senator MARK BISHOP—I see. You cannot disaggregate that information?

Ms Babbage—No, you cannot.

Senator MARK BISHOP—In that case can the department provide on notice the details of how many services have been affected by the problems of CCB payments not being adjusted quarterly and the state locations of each of those services?

Ms Babbage—As I have just mentioned, Senator, it is not possible to isolate out the impact of that transition period versus the impact of the latest adjustment based on the lodgment and acquittal of the last statement. So it is difficult, from a management information perspective, to get information on that. We can do it on an individual service basis. What we do know is that something like 21 per cent of services have an overpayment, but that—

Senator MARK BISHOP—What figure does that 21 per cent represent?

Ms Babbage—I think it is about a thousand services.

Senator MARK BISHOP—So roughly 5,000 services around Australia?

Ms Babbage—No, there are around 9,500.

Senator MARK BISHOP—And 21 per cent of those have an overhead.

Ms Babbage—And you would expect as part of the normal lodge and acquittal cycle that at any one time there would be services with overpayments. There would also be other services with overpayments.

Senator MARK BISHOP—How many would you expect would have overpayment problems just as part of the lodge and acquittal cycle? What figures do you act on?

Ms Babbage—I am not really able to advise you of that because, as I said, due to the complexity of the problems that have occurred over the last 12 months, we have not really been able to get a clean set of data that looks at just how things are operating normally. We would have to look at some later quarters and see what the results are showing for those quarters.

The other impact here, too, is that the number of customers using some of these centres varies throughout the year. For example, you have people entering child care at the beginning of the year, say, in before and after school care, you have quite a casual usage basis throughout the year for a significant proportion of their customers and then there is quite a drop-off towards the end of the year as customers move into different arrangements.

So it varies quite considerably for some services across the 12-month period and you also have the impact of the acquittal and advance being based on a six-monthly period. For example, you lodge in January to March. The outcome of that statement sets up the advance for July to September, because we need a period after that statement to actually process and set up that advance. So, quite often, the advance for the later period may not relate to a period in usage that is exactly reflective of that later quarter.

Senator MARK BISHOP—So the July to September advance is based upon the figures supplied for January through to March? Is that correct?

Ms Babbage—Yes.

Senator MARK BISHOP—You say they can then vary in the next quarter but that will not be considered until the last quarter.

Ms Babbage—That is right.

Senator MARK BISHOP—Is that a design feature of the system?

Ms Babbage—Yes.

Mr Popple—And those services which get underadvanced in a particular quarter, because their circumstances have changed because they are growing or something like that, can seek a special additional advance from Centrelink to make up any slack that they may be having.

Senator MARK BISHOP—Are you saying that those centres that receive a particular advance and whose next quarter's custom does not warrant such a high advance, basically need to be aware of that and leave the surplus that they are not entitled to in their bank account and it will be a backward adjusted out? Is that essentially the design of the system?

Ms Babbage—Yes, and services are aware of that.

Mr Popple—Most of them are very comfortable with it.

Senator MARK BISHOP—I take you back, Ms Babbage, to when you said there were roughly 9,000 service centres around Australia.

Ms Babbage—Nine and a half thousand.

Senator MARK BISHOP—And you said there were lodgment and acquittal problems of the order of 21 per cent?

Ms Babbage—I did not say there were lodgment and acquittal problems; I said there were overadvances for 21 per cent. A reasonable proportion of those would be part of the normal lodgment-acquittal cycle.

Senator MARK BISHOP—That strikes me as being a high figure, but is that just a necessary part of the design of the system?

Ms Babbage—I think it is part of the design of the system for the reasons I have outlined—the varying usage throughout the year and the way the lodgment cycle works.

Mr Popple—They have got the best intentions in the world. I do not think any of the centres know precisely how many children they are going to have coming through over a quarter receiving CCB. It is never going to be possible to do it exactly, so we try to make certain they have got sufficient funds to cover those CCB children.

Senator MARK BISHOP—I am just coming to terms with the concept that virtually one in five centres is, if I am right, continuously overfunded.

Mr Popple—I think what Ms Babbage was saying was that at a point in time there was 21 per cent. That figure might rise and fall over the course of a year. Some of those services might only be overadvanced a couple of hundred dollars; others might be overadvanced, as we mentioned, by more significant amounts of money. It does vary. I would not want you to think that 21 per cent of services out there had sizeable overadvances of several thousand dollars.

Senator MARK BISHOP—That is what I was going to come to. This discussion started out with the one centre in Albany facing a repayment of more than $400,000. Is that figure atypical?

Ms Babbage—Yes, it is.

Senator MARK BISHOP—And it relates to the peculiarity of the faults that you outlined earlier?

Ms Babbage—Yes.

Senator MARK BISHOP—How many other centres have problems of that scale?

Ms Babbage—I might have to get those figures for you.

Senator MARK BISHOP—Do you mind taking those figures out; how many have debt repayments of more than $100,000 owing—this is a million dollar business—the name of the centre and the state location so that we can have a look at the scale of that problem?

Ms Babbage—In terms of privacy, I would be happy to give you the information on the number of centres owing over $100,000, but I do not think I can give you the names of the services.

Mr Popple—No.

Senator MARK BISHOP—Why is that?

Mr Popple—I do not know whether the services would want it made known how much they have been overadvanced. I think there is a privacy issue there that we would need to check out.

Senator MARK BISHOP—Would you mind checking that out and giving me a formal response on that?

Mr Popple—Sure.

Senator MARK BISHOP—If there is something in your legislation that prohibits you from doing so, it can be provided on a confidential basis.

Mr Popple—We will look into it, Senator.

Senator MARK BISHOP—Does DFACS collect any information about the impact of CCB on accessibility, affordability and waiting lists?

Mr Popple—Yes, we do have information on how affordability has changed over the time since CCB. Do you want us to go into that?

Senator MARK BISHOP—Yes, please.

Mr Popple—Basically, CCB has made it more affordable for families, because of the increased payment. There is a set of data looking at various scenarios on income range, the number of children in care and that sort of stuff. Perhaps it would be better if I did some analysis and gave you a table and set that out for you?

Senator MARK BISHOP—I think it would be, because I am going to come back to you—this discussion is a bit general—and ask you for some particular information. If you could provide me with some preliminary data, information about the data that FACS collects on issues of accessibility, affordability and waiting lists, I will consider it and, through the process, come back to you with further requests if I need to. I just do not understand what data is collected and retained by the department.

Mr Popple—Yes, I will see what we have.

Senator MARK BISHOP—Thank you. I now want to go back to the previous child-care assistance scheme, the old scheme, which was replaced by the child-care benefit. Do you have records on how much money had been overpaid to child-care services across the country in the 12 months prior to July 2000?

Mr Popple—We are currently working that out. We are currently going through a process of reconciling those last advances to services under CA and working out how much services

owe the Commonwealth and how much we owe them. Some initial payments were made to services in July 2000 where we felt that we owed them money, and we have been going through the subsequent claims and reconciling that and working out a net position for each of the services as to how much we owe them.

Senator MARK BISHOP—I see.

Mr Popple—That process has not been finished yet, so I do not have a figure I can give you.

Senator MARK BISHOP—When did you start that process?

Mr Popple—It was put off initially because of the implementation of the CCB. We did not want to confuse the services around that process. Over the last six months, we have been putting a lot more concentrated effort into that. As you are probably aware, we have started writing to the services in Victoria, outlining to them what their net position is and seeking back the money where they owe us overpayments.

Senator MARK BISHOP—Is the quantum of services that have to be looked at the same 9,000 that Ms Babbage was referring to?

Mr Popple—It is going back a couple of years so there would have been fewer services then, but around that quantum.

Senator MARK BISHOP—So it is a fairly massive job?

Mr Popple—Yes.

Senator MARK BISHOP—Is it possible for you to estimate the total of money outstanding to the Commonwealth, in ballpark figures?

Mr Popple—I would prefer to finish the process, but I think it is in the order of tens of millions of dollars.

Senator MARK BISHOP—Can you explain the DFACS process for handling the reconciliation and debt recovery from services for money paid under the old scheme?

Mr Popple—With those services that we have dealt with so far, we have reconciled them, and worked out a net position for them. We have written to them saying that, 'According to our records, you owe us $100.' Then we give them the option to either pay that money back as a lump sum or take it out of future CCB advances at a rate which does not jeopardise their ongoing viability. We hope to have all services notified by 30 June this year.

Senator MARK BISHOP—All services notified by 30 June of their financial debt or otherwise?

Mr Popple—Yes.

Senator MARK BISHOP—Will all states be advised at the same time?

Mr Popple—No, we are doing it on a staggered basis. We have done Victoria already and we are in the process of going to Queensland.

Senator MARK BISHOP—Have the rest of the states been worked out?

Mr Popple—No, we are still in the process of doing those. With New South Wales, we have only just made a start on that, and that is one of the biggest states. We are getting close to finalising the rest of them. But the idea is that we do it on a staggered basis, mainly so that we can handle the queries coming back into the services in a systematic way.

Senator MARK BISHOP—So Victoria is concluded?

Mr Popple—The bulk of services in Victoria have been written to.

Senator MARK BISHOP—How many have you got left to do as a percentage of all services in Victoria?

Mr Popple—I think we have done about 85 per cent of Victoria.

Senator MARK BISHOP—Can you take on notice, and provide in due course, how many centres and schemes across the country have received an overpayment by type of service—long day care, family day care, whatever—and by state, when you have that information?

Mr Popple—Yes, when we have it.

Senator MARK BISHOP—How long are services going to be given to repay any amounts?

Mr Popple—They can make a lump sum payment straightaway; otherwise we will recover it from their future CCB advances. That can take as long as it takes. It is staggered. So after any CCB money that they owe has been recovered, we would recover the CA at a rate of not greater than 25 per cent of any future advance. If they find that difficult, they can speak to Centrelink, which is dealing with it on our behalf, and negotiate a more generous recovery arrangement. So there is no fixed period.

Senator MARK BISHOP—What is the $10 million additional appropriation for 'revision of estimates for child-care assistance payments' in the AEs?

Mr Popple—There was no appropriation made previously for us paying services where we owed them money, so we sought some money to allow us to make payments against this financial year.

Senator MARK BISHOP—That is $10 million for this financial year ending June 2002. By then you will have only concluded possibly two or three of the states.

Mr Popple—No, we will have concluded all of the states this financial year. I think what you are heading towards is that we may have to roll some of that money over just to cover some debts next year.

Senator MARK BISHOP—Yes. And we do not know what the total amount is going to be?

Mr Popple—No.

Senator MARK BISHOP—So that is just a figure. There is an explanatory note that says:

While the measure has no net cost to the budget, funding for an ex gratia payment is required.

Does the explanation you just gave me refer to that?

Mr Popple—Which page are you on?

Senator MARK BISHOP—Page 16.

Mr Popple—That is actually referring to another variation.

Senator MARK BISHOP—Is it?

Mr Popple—Yes. It is referring to an extension of the application period for the Retirement Assistance for Farmers Scheme, which is a new policy since the 2001-02 budget.

Mr Sullivan—I think it is a 'note 1' rather than an 'outcome 1'.

Senator MARK BISHOP—Sorry?

Mr Sullivan—Note 1, which begins 'While the measure has no net cost,' relates to the 'Reason for Variation' above, which reads, 'New policy since the 2001-02 Budget: Extension of application period for Retirement Assistance for Farmers Scheme, $0.1 million.'

Senator MARK BISHOP—Thank you. I am happy to resume after dinner on output group 1.2.

CHAIR—Are there any other outcomes that you would not have questions for so that officers could leave?

Senator Vanstone—It would help if we knew that.

Senator DENMAN—I have some, but I will put them on notice.

Senator MARK BISHOP—I asked you a question on notice earlier in which I put in a floor of $100,000 in terms of the centres. Could I ask you to reduce that floor to $40,000?

Mr Popple—Yes.

CHAIR—Do you have any areas where you do not require officers after dinner, so they may go?

Senator MARK BISHOP—If you would like to give me five minutes, I would be happy to go through my notes and decide who I can cut out and who I can put on notice, because I have done the bulk of the work. Is that okay with you?

CHAIR—That is fine.

Proceedings suspended from 6.23 p.m. to 6.57 p.m.

CHAIR—Before we start the clock on Senator Bishop, may I just take this opportunity to thank Hansard and Broadcasting for coming back during their dinner break to allow us to complete this stage of estimate hearings.

Senator MARK BISHOP—I have just a couple of issues for tidying up purposes. Mr Popple, we were talking about your providing me with a document on notice, outlining the debts or the overpayments in the old CCA scheme. Can you just do that in bands of $10,000 state by state—I think that would probably be the simplest thing—up to the $400,000?

Mr Popple—We will have a look at what is possible. Whether that is a feasible sort of bandwidth or not depends on the size of the debts.

Senator MARK BISHOP—That is fine. Secondly, I think I got the wrong steer on that child-care assistance payment: the $10 million at page 16 of the AEs. You said that it was an additional appropriation of $10 million. For what purpose was that? Can you just put on the record what that was for?

Mr Popple—There was no provision for money to pay services that we owed money to this year for CA. So we asked for the money and so as to make payments out to those services to which the Commonwealth actually owes money. We have paid about, I think, almost $1 million so far this year.

Senator MARK BISHOP—Those payments to date have all been in Victoria?

Mr Popple—No. We fixed up most of them at the time of the transition to CCB, but some of the services are still putting in claims. So, as we are processing those old CA claims—they have been stockpiled, and we have been going through them—we find we owe some money. So it is just really a provision so that we can pay those services to which we owe money.

Senator MARK BISHOP—The first child tax payments: who will take questions on that?

Ms McKay—I will, Senator.

Senator MARK BISHOP—Given that the department administers family support payments through the family tax benefits and the CCB, how will the first child tax bonus interact with the other family payments?

Ms McKay—It is a first child tax refund, and so it is a tax payment. It will be administered by the Australian Taxation Office.

Senator MARK BISHOP—So questions should be put to them?

Ms McKay—Yes.

Senator MARK BISHOP—It will not be administered by Centrelink at all?

Ms McKay—No, it is not being administered by the Family Assistance Office. The Australian Taxation Office is keeping us informed of the progress with getting the administrative arrangements in place. But, as far as we can tell, we will not be involved at all.

Senator MARK BISHOP—Do you know how many families will be affected from 1 July 2001?

Ms McKay—No, I cannot answer that, I am sorry.

Senator MARK BISHOP—Would tax request that information from the department, or would they themselves have access to it?

Ms McKay—It will be based on the taxable income of the customers in the reference year, whichever reference year the customers choose. So that is information that is, in fact, tax office administrative information.

Senator MARK BISHOP—Was your department involved in the development of the policy for the new payment at all?

Mr Sullivan—That goes to the development of a policy area and I do not think we were involved as a member of cabinet.

Senator MARK BISHOP—Did FACS or Tax do the preparatory work?

Ms McKay—It was an election commitment, and we cannot answer questions on matters of policy.

Senator MARK BISHOP—It was an election commitment—

CHAIR—But the officers cannot be asked about the advice they gave in the formulation of the policy.

Senator MARK BISHOP—Who did the costings on the figures?

Mr Sullivan—It was part of the then government's election platform. They presented their costings to the department of finance, which were reported on. But, until the election outcome was known, it was a commitment by them in election mode.

Senator MARK BISHOP—I understand that. It would have been sent to DOFA in the last week, and they would have checked out the costings and provided their comment. But were costings done by this department prior to that last week?

Ms McKay—Not to my knowledge, no.

Senator MARK BISHOP—Mr Sullivan?

Mr Sullivan—Not to my knowledge.

Senator MARK BISHOP—So FACS has not been asked to do any work in assessing the impact of the first child tax bonus scheme either. Is that correct?

Ms McKay—I think so. Can I take that on notice?

Mr Sullivan—We will take that on notice, but I would not believe so.

Senator MARK BISHOP—Sorry?

Ms McKay—I do not think so, but I would rather take that on notice. It is possible that Keith Henry has been asked to provide information, and he is not here to answer.

Senator MARK BISHOP—Perhaps you could ask Mr Henry to advise us whether he has been asked to provide any information on the effectiveness or impact of the scheme of the first child tax bonus, when that request was made and when the information was supplied to the person or department that requested it. The Special Needs Subsidy Scheme: who deals with that? Ms Casey? This is a payment of $13 per hour for only five hours a week, to help employ specialist staff to work with high needs children. Is that brief summary correct?

Ms Casey—That is correct.

Senator MARK BISHOP—It was introduced back in 1997?

Ms Casey—That is correct.

Senator MARK BISHOP—The figure of $13 an hour has not been adjusted since that time?

Ms Casey—No. That figure is a median of the level 2 child-care worker across all the states of Australia, and they vary significantly. But it has not been adjusted, no.

Senator MARK BISHOP—So it is derived from that level 2 child-care—

Ms Casey—Level 2 child-care worker. It is the median across all the states, and each state and territory pays different rates.

Senator MARK BISHOP—Have wages of those child-care workers been adjusted in the relevant award since 1997?

Ms Casey—They have been.

Senator MARK BISHOP—Is there any proposal under consideration to increase this particular payment at all?

Ms Casey—In the year 1999-2000 budget, we paid $9.9 million for SNSS payments; in the last year's budget, we paid $19.8 million. So we almost doubled our payments under the SNSS initiative, which was quite a significant increase. It has been a very popular initiative. We also pay money out through that for assisting child-care workers, providing additional support and training to workers in the centres. So there is a whole range of things under that initiative that need to be considered, and we are continuing looking at how we can improve it. But, as I have said, there has been a significant investment in that initiative—specifically in the last 12 months.

Senator MARK BISHOP—I understand there has been a significant increase in demand and spending from $9 million to $19 million, but child-care workers generally have received some increases since 1997. Those persons who work under this scheme have not, to date, received an increase. Is there any current proposal under consideration to increase this figure of $13 an hour in the foreseeable future?

Ms Casey—There are a number of options we are considering in the scope of the whole initiative. A number of those are budget dependent. We are looking at options and continually reviewing the way we might be able to improve the whole scheme.

Senator MARK BISHOP—I can do this endlessly. You tell me the scheme is improving; I understand that. The question is this: is there any consideration under review at the moment to increase the payment of $13 per hour in the foreseeable future?

Ms Casey—That would be one of the options we are considering in the scope of the whole initiative but, as I said, a lot of them are budget dependent.

Senator MARK BISHOP—So it is being considered?

Ms Casey—Yes, in a number of options.

Senator MARK BISHOP—Is it anything more than a theoretical option to look at?

Ms McKay—I will just correct a slip of the tongue that Ms Casey made. It is actually $17.8 million, not $19.8 million that has been spent on SNSS.

Senator MARK BISHOP—It is an option to increase the figure of $13 an hour. It is an option to keep it at its current level. It is an option to do a range of things.

Ms McKay—And any option is in the nature of policy advice to government, and we are not in a position to discuss that.

Senator MARK BISHOP—Okay, we will just keep going then. Why hasn't the payment been subject to CPI increases, as has the CCB? Why was it decided to freeze this rate of pay?

Ms Casey—It was just part of the initiative. That was what was determined would be paid. It is a contribution; it is not meant to be the full payment of a worker. There are a number of economies of scale that can be made. For example, if a centre has two or three children with special needs it may need to employ only one worker. The special needs subsidy is actually a contribution towards the employment of that worker. It was not actually meant to be the full payment of that worker for the full time that they were there.

Senator MARK BISHOP—Have you had requests from the affected workers to increase the rate?

Ms Casey—We have had requests from centres asking for increases.

Senator MARK BISHOP—How many of those requests have you had since 1997?

Ms Casey—I would have to take that on notice.

Senator MARK BISHOP—Have the number of requests increased in recent years?

Ms Casey—I moved into this position nine weeks ago, in which time I have seen about 10 to 15 requests. To compare that with what has happened since 1997 I would have to go back and pull the data out.

Senator MARK BISHOP—Don't bother to do that. I would have thought that 10 to 15 requests for an increase in nine weeks is a fairly significant number of requests. How many people are employed under this scheme, and receive this payment?

Ms Casey—As at 31 December there were 4,786 children receiving special needs subsidies.

Mr Sullivan—I think that is important. In respect of the children, this scheme was never a scheme to pay the award wages of carers caring for children. It was to contribute, through a payment on a per child basis, to the employment of such people. That is why it was a median

rate of $13. If this scheme had been designed to pay for workers, we would have been bound by awards and other things and probably bound into some form of increase. The government's contribution was on a per child basis. Clearly the scheme is contributing towards almost twice as many children as it was at its inception, but it has not yet been able to address whether the per capita rate per child should be increased. It is not linked to the worker; it is linked to the child. It is a contribution.

Senator MARK BISHOP—A contribution to whom?

Mr Sullivan—Based on the number of children, to the service provider—to be able to then assist them to put in relevant trained, paid persons.

Senator MARK BISHOP—So it is a contribution to the centre to allay the costs of hiring specialist staff to cater to the needs of high-need children. Is that what it is?

Ms McKay—It is not just for specialist staff; it is to enable them to hire additional staff for some hours for one-on-one contact with those children. I think it is important to see this scheme in the context of the whole of child care, where child-care benefit outlays have risen quite a lot. There is a lot more money going into supporting services to provide child care to families. You can see from the estimates the growth in CCB outlays over that same period.

Senator MARK BISHOP—What is the government policy on services to work under priority of access guidelines? What does that policy state?

Ms Casey—I can provide the priority of access guidelines to you, but I know that priority of access is given to children at risk or families with severe hardship. That would be two of the reasons that people would be escalated.

Ms McKay—Families requiring child care for work force reasons are also given priority.

Senator MARK BISHOP—I understand your point that it is a payment to employ extra staff for children with high needs. Presumably that work goes to staff currently employed. Is that assumption correct?

Ms Casey—In some cases they bring in an additional worker. In many cases a centre may have two or three children. They need only one extra worker for part of the time that the children are in care, depending on the disability or the special needs of that child. It needs to be noted that this initiative is not to support children with high needs who require additional support through other funded services; it is to help them to integrate into child care and to integrate with other children. There are many children who are not able to do that in a child-care centre if they are not eligible for this sort of payment.

Senator MARK BISHOP—They need a bit of one-on-one treatment to help them adjust into it?

Ms Casey—Yes. There are other services that the state governments provide for.

Senator MARK BISHOP—It sounds like a worthwhile scheme; I just find it a bit surprising that this small group of people have effectively had their wages frozen.

Mr Sullivan—It should not mean in any way that they have effectively had their wages frozen. A child-care centre employing workers must pay award wages. This means that the contribution that we have made to the capacity for them to employ people remains static, but it does not freeze anyone's wages. You cannot say that we are not paying award wages because the Commonwealth—

Senator MARK BISHOP—I did not say you were not paying award wages. I did not say that.

Mr Sullivan—We have not frozen wages. You said we had frozen wages, and we have not frozen wages.

Senator MARK BISHOP—What I am saying is that the wage or the quantum of remuneration paid to the persons employed to administer the needs under this scheme since 1997 has remained fixed. In my view, that means they are frozen. When they are unfixed, they will not be frozen. These people are workers, they are carrying out a task, the Commonwealth funds the centre to provide that service in particular need and the Commonwealth has chosen not to increase the amount provided to the centres. As a consequence, these persons' wages have been fixed. Two and two equals four, Mr Sullivan.

Mr Sullivan—I do not accept that, Senator.

Senator MARK BISHOP—You don't have to. It is on the record; it is the facts.

Mr Sullivan—A contribution is made in respect of almost double the children which means more workers are being employed. Workers must be employed at award wages, and it is the responsibility of the centre to pay award wages. Those wages are not required to be fixed because of the contribution.

Senator MARK BISHOP—Because it is not required, and it is not mandated on the centres to pay this group of workers award wages, they are not paid an award wage—they are paid a fixed wage which has remained fixed since 1997. That is the consequence.

Ms McKay—No, not at all.

CHAIR—And that is not what was said.

Senator MARK BISHOP—That is what I am saying.

CHAIR—But that is not the answer that you were given, so I think it is quite improper to say that that is what was told to you by the officers.

Senator MARK BISHOP—Where a group of persons are carrying out a particular task funded by the Commonwealth to cater for particular needs, and the amount of money for the task has not increased over four years, I just don't know how it cannot be regarded as a fixed wage.

Ms McKay—It is a contribution to the services hiring those workers. It was never intended to be the full amount of an award wage. So the Commonwealth contribution has remained fixed in that period, but what services pay their workers clearly has not remained fixed because awards have gone up.

Senator MARK BISHOP—That concludes my questions, Chair.

CHAIR—You are very cooperative, Senator Bishop! I thank the minister, Mr Sullivan, Ms Vardon and all the officers for their contributions. I also thank the secretariat and Hansard.

Senator Vanstone—I thank Hansard and the officers.

Committee adjourned at 7.17 p.m.